

Mubadala Development Company PJSC

Consolidated financial statements

31 December 2011

Principal business address

PO Box 45005

Abu Dhabi

United Arab Emirates

Mubadala Development Company PJSC

Consolidated financial statements

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Mubadala Development Company PJSC
Abu Dhabi
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Mubadala Development Company ("Mubadala" or the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The Group's consolidated financial statements as at 31 December 2010 were audited by another auditor whose report dated 21 March 2011 expressed unqualified audit opinion.

Report on other legal and regulatory requirements

As required by UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Group, that physical counts of inventories were carried out by management in accordance with established principles, and that the contents of the Director's report which relate to these consolidated financial statements are in agreement with the Groups' financial records. We are not aware of any violation of the above mentioned Law or the Company's Articles of Association, having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Group or on its financial position.

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration No. 410
Abu Dhabi
19 March 2012

Mubadala Development Company PJSC

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2011 AED '000	2010 AED '000
Revenue from sale of goods and services	6	27,911,297	15,841,591
Cost of sales of goods and services	7	(22,257,234)	(10,840,404)
Gross profit		5,654,063	5,001,187
Income from investment in equity accounted investees (<i>net</i>)	17	2,672,799	891,699
Government grant income		459,646	280,602
Dividend income	11	393,035	331,378
Finance income from commercial loans		316,305	110,974
Gain on acquisition of stake in subsidiaries	5(a)(ii,iii)	231,093	-
Other income (<i>net</i>)	8	539,943	659,974
Research and development expenses	9	(2,946,806)	(80,341)
Project expenses		(747,342)	(549,920)
Exploration costs		(345,853)	(534,976)
Other general and administrative expenses	10	(4,986,919)	(3,487,367)
Profit before fair value changes on financial investments, impairments, net finance expense and taxes		1,239,964	2,623,210
(Loss) / income from financial investments (<i>net</i>)	11	(3,029,595)	355,427
Decrease in fair value of investment properties (<i>net</i>)	15	(959,867)	(927,650)
Impairment losses on property, plant and equipment	13	(652,958)	(279,951)
Impairment losses on equity accounted investees		(471,984)	(10,295)
Impairment losses on intangible assets	14	(29,207)	(239,581)
(Loss) / profit before interest and taxes		(3,903,647)	1,521,160
Finance income and net foreign exchange gain	12	1,975,801	1,399,653
Finance expense	12	(2,791,782)	(1,624,910)
Net finance expense	12	(815,981)	(225,257)
(Loss) / profit before income tax		(4,719,628)	1,295,903
Income tax credit / (expense)	33	196,216	(168,147)
(Loss) / profit for the year		(4,523,412)	1,127,756

Mubadala Development Company PJSC

Consolidated statement of comprehensive income *(continued)*
for the year ended 31 December

	<i>Note</i>	2011 AED '000	2010 AED '000
Other comprehensive loss			
Decrease in fair value of available-for-sale financial assets	<i>18(b)</i>	(548,253)	(1,401,184)
Effective portion of changes in fair values of cash flow hedges and other reserves		(89,649)	(265,495)
Net change in translation reserve		(2,802)	189,746
Share of effective portion of changes in fair values of hedging instruments of equity accounted investees	<i>17(a,b)</i>	(268,586)	32,041
Share of movements in translation reserve of equity accounted investees	<i>17(a,b)</i>	2,249	2,314
Other comprehensive loss for the year net of income tax		(907,041)	(1,442,578)
Total comprehensive loss for the year		(5,430,453)	(314,822)
(Loss) / profit for the year		(4,523,412)	1,127,756
Less: Loss attributable to non-controlling interest		(1,323,757)	(77,599)
(Loss) / profit for the year attributable to the owner of the Group		(3,199,655)	1,205,355
Total comprehensive loss for the year		(5,430,453)	(314,822)
Less: Total comprehensive (loss) / profit attributable to non-controlling interests		(1,262,724)	22,717
Total comprehensive loss for the year attributable to the owner of the Group		(4,167,729)	(337,539)

The notes set out on pages 13 to 112 form an integral part of these consolidated financial statements.

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

Mubadala Development Company PJSC

Consolidated statement of financial position
as at 31 December

	Note	2011 AED '000	2010 AED '000
Non-current assets			
Property, plant and equipment	13	69,276,977	23,201,974
Intangible assets	14	6,767,429	4,890,411
Investment properties	15	5,637,583	4,636,882
Investment in equity accounted investees			
- associates	17	6,985,883	411,513
- jointly controlled entities	17	6,212,537	5,848,288
Financial investments	18	18,175,867	24,271,032
Loans receivable	19	12,087,994	10,854,970
Other assets		713,887	315,452
Receivables and prepayments	21	8,907,290	8,902,287
Finance lease receivables	22	1,428,565	-
Deferred tax assets	33	1,088,087	78,077
		<hr/>	<hr/>
Total non-current assets		137,282,099	83,410,886
Current assets			
Inventories	20	6,383,484	3,814,962
Financial investments	18	1,453,996	204,812
Loans receivable	19	2,475,837	718,160
Receivables and prepayments	21	14,870,163	7,728,204
Finance lease receivables	22	105,582	-
Cash and cash equivalents	23	14,524,088	6,261,890
		<hr/>	<hr/>
Total current assets		39,813,150	18,728,028
		<hr/>	<hr/>
Total assets		177,095,249	102,138,914

Mubadala Development Company PJSC

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

	Note	2011 AED '000	2010 AED '000
Equity			
Share capital	29	15,000,000	15,000,000
Reserves and (deficit) / surplus		(3,549,220)	738,347
Additional shareholder contributions	31(e)	94,502,530	45,725,643
Government grants	34(b)	367,350	367,350
Total equity attributable to the owner of the Group		106,320,660	61,831,340
Non-controlling interests		54,216	285,522
Total equity		106,374,876	62,116,862
Non-current liabilities			
Interest bearing borrowings	26	38,124,157	24,971,017
Government grants	34(b)	2,062,052	29,676
Obligation under finance lease	28	1,373,380	-
Deferred tax liabilities	33	1,583,311	1,100,758
Financial liabilities at fair value	25	1,397,061	723,062
Other liabilities	27	2,261,474	1,813,503
Total non-current liabilities		46,801,435	28,638,016
Current liabilities			
Interest bearing borrowings	26	5,053,303	1,968,047
Government grants	34(b)	309,617	44,085
Obligation under finance lease	28	147,635	-
Payables and accruals	24	16,618,250	7,863,924
Amounts due to equity accounted investees	17	824,323	1,003,881
Income tax payable	33	496,500	301,805
Financial liabilities at fair value	25	469,310	202,294
Total current liabilities		23,918,938	11,384,036
Total liabilities		70,720,373	40,022,052
Total equity and liabilities		177,095,249	102,138,914

These consolidated financial statements were authorised for issue by the Board of Directors on 19 March 2012 and were signed on their behalf by:

Director

Chief Executive Officer &
Managing Director
Khaldoon Khalifa Al Mubarak

Chief Financial Officer
Carlos Obeid

The notes set out on pages 13 to 112 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 3 and 4.

Mubadala Development Company PJSC

Consolidated statement of changes in equity
for the year ended 31 December

	Share capital AED '000	Statutory reserve ¹ AED '000 (note 30)	Fair value reserve ¹ AED '000 (note 30)	Foreign currency translation reserve ¹ AED '000 (note 30)	Hedging and other reserves ¹ AED '000 (note 30)	Accumulated losses AED '000	Reserves and surplus AED '000	Additional shareholder contributions AED '000 (note 31 (e))	Government grants AED '000 (note 34 (b)(i))	Total attributable to the equity holder AED '000	Non-controlling interest AED '000	Total AED '000
At 1 January 2010	5,514,579	689,531	4,314,769	541,167	(485,479)	(3,984,102)	1,075,886	42,211,064	367,350	49,168,879	262,805	49,431,684
Profit for the year	-	-	-	-	-	1,205,355	1,205,355	-	-	1,205,355	(77,599)	1,127,756
Decrease in fair value of available for sale financial assets (net)	-	-	(1,401,184)	-	-	-	(1,401,184)	-	-	(1,401,184)	-	(1,401,184)
Net change in translation reserve	-	-	-	86,354	-	-	86,354	-	-	86,354	103,392	189,746
Share of movement in translation reserve of equity accounted investees	-	-	-	2,314	-	-	2,314	-	-	2,314	-	2,314
Share of effective portion of changes in fair value of hedging instruments of equity accounted investees	-	-	-	-	32,041	-	32,041	-	-	32,041	-	32,041
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(262,419)	-	(262,419)	-	-	(262,419)	(3,076)	(265,495)
Total other comprehensive loss	-	-	(1,401,184)	88,668	(230,378)	-	(1,542,894)	-	-	(1,542,894)	100,316	(1,442,578)
Total comprehensive loss	-	-	(1,401,184)	88,668	(230,378)	1,205,355	(337,539)	-	-	(337,539)	22,717	(314,822)
Additional shareholder contributions	-	-	-	-	-	-	-	13,000,000	-	13,000,000	-	13,000,000
Conversion of additional shareholder contributions to share capital (see note 31)	9,485,421	-	-	-	-	-	-	(9,485,421)	-	-	-	-
Transfer to statutory reserve	-	112,776	-	-	-	(112,776)	-	-	-	-	-	-
At 31 December 2010	15,000,000	802,307	2,913,585	629,835	(715,857)	(2,891,523)	738,347	45,725,643	367,350	61,831,340	285,522	62,116,862

¹ Non distributable reserves

Mubadala Development Company PJSC

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

	Share capital AED '000	Statutory reserve ¹ AED '000 (note 30)	Fair value reserve ¹ AED '000 (note 30)	Foreign currency translation reserve ¹ AED '000 (note 30)	Hedging and other reserves ¹ AED '000 (note 30)	Accumulated losses AED '000	Reserves and surplus AED '000	Additional shareholder contributions AED '000 (note 31 (e))	Government grants AED '000 (note 34 (b)(i))	Total attributable to the equity holder AED '000	Non-controlling interest AED '000	Total AED '000
At 1 January 2011	15,000,000	802,307	2,913,585	629,835	(715,857)	(2,891,523)	738,347	45,725,643	367,350	61,831,340	285,522	62,116,862
Loss for the year	-	-	-	-	-	(3,199,655)	(3,199,655)	-	-	(3,199,655)	(1,323,757)	(4,523,412)
Decrease in fair value of available for sale financial assets (net)	-	-	(548,253)	-	-	-	(548,253)	-	-	(548,253)	-	(548,253)
Net change in translation reserve	-	-	-	(59,328)	-	-	(59,328)	-	-	(59,328)	56,526	(2,802)
Share of movement in translation reserve of equity accounted investees	-	-	-	2,249	-	-	2,249	-	-	2,249	-	2,249
Share of effective portion of changes in fair value of hedging instruments of equity accounted investees	-	-	-	-	(268,586)	-	(268,586)	-	-	(268,586)	-	(268,586)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(94,156)	-	(94,156)	-	-	(94,156)	4,507	(89,649)
Total other comprehensive loss	-	-	(548,253)	(57,079)	(362,742)	-	(968,074)	-	-	(968,074)	61,033	(907,041)
Total comprehensive loss	-	-	(548,253)	(57,079)	(362,742)	(3,199,655)	(4,167,729)	-	-	(4,167,729)	(1,262,724)	(5,430,453)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(4,335)	(4,335)
Additional shareholder contributions	-	-	-	-	-	-	-	48,776,887	-	48,776,887	-	48,776,887
Non-controlling interest upon acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	790,917	790,917
Non-controlling interest upon disposal of stake in a subsidiary	-	-	-	-	-	(119,838)	(119,838)	-	-	(119,838)	158,654	38,816
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	86,182	86,182
At 31 December 2011	15,000,000	802,307	2,365,332	572,756	(1,078,599)	(6,211,016)	(3,549,220)	94,502,530	367,350	106,320,660	54,216	106,374,876

¹ Non distributable reserves

The notes set out on pages 13 to 112 form an integral part of these consolidated financial statements.

Mubadala Development Company PJSC

Consolidated statement of cash flows for the year ended 31 December

	Note	2011 AED '000	2010 AED '000
Cash flows from operating activities			
(Loss) / profit for the year		(4,523,412)	1,127,756
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	13	6,698,142	1,740,505
Amortisation of intangible assets	14	781,429	425,991
Amortisation of government grants	34	(742,912)	(281,954)
Change in fair value of investment properties	15	959,867	927,650
Impairment losses on property, plant and equipment and intangible assets	13,14	682,165	519,532
Gain on disposal of property, plant and equipment	8	(59,364)	(9,246)
Net change in fair value of financial assets / liabilities at fair value through profit or loss	11	2,931,036	(582,700)
Finance income relating to finance lease receivables	22	(80,672)	-
Other impairment losses		14,356	26,781
Impairment losses on equity accounted investees		471,984	10,295
Impairment losses on available for sale financial assets	11	98,559	227,273
Gain on disposal of investment in equity accounted investees	17	(81,951)	(75,646)
Gain on disposal of investment in subsidiaries	5	(20,368)	(57,270)
Gain on acquisition of stake in subsidiaries	5(a)(ii,iii)	(231,093)	-
Loss / (gain) on disposal of financial investments	8	55,848	(126,982)
Share of results of equity accounted investees			
- associates	17(a)	(1,012,205)	(86,526)
- jointly controlled entities	17(b)	(1,578,643)	(729,527)
Finance income	12	(1,975,801)	(1,399,653)
Finance expense	12	2,791,782	1,624,910
Income tax (credit) / expense	33	(196,216)	168,147
Dividend income	11	(393,035)	(331,378)
		4,589,496	3,117,958
Change in inventories		(727,366)	(169,074)
Change in receivables and prepayments		(4,770,118)	(2,698,913)
Change in obligation under finance lease		(287,674)	
Change in payables and accruals		4,766,263	701,710
Change in other liabilities		(1,642,116)	(822,390)
Change in other assets		667,737	(71,613)
Dividends received from financial investments		393,035	331,378
Dividends received from equity accounted investees	17(a),(b)	1,282,043	957,419
Lease rentals received	22	63,753	-
Income taxes paid		(327,170)	(283,675)
Net cash generated by operating activities		4,007,883	1,062,800

Mubadala Development Company PJSC

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

	Note	2011 AED '000	2010 AED '000
Cash flows from investing activities			
Proceeds from disposal of equity accounted investees		43,349	87,051
Proceeds from disposal of financial investments		1,034,779	259,438
Proceeds from disposal of assets held for sale		-	3,593,818
Proceeds from disposal of stake in a jointly controlled entity		111,147	-
Purchase consideration from acquisition of a subsidiary	5(a)(iii,iv)	(83,584)	(126,817)
Cash arising from acquisition of subsidiaries		483,852	-
Proceeds from disposal of subsidiaries and working interest (net of cash disposed)	5(b)(i,ii)	52,732	288,904
Investment in equity accounted investees	17(a)(b)	(901,268)	(2,530,765)
Acquisition of financial investments		(4,716,268)	(3,496,201)
Acquisition of property, plant and equipment		(25,045,994)	(7,060,843)
Acquisition of investment properties	15	(1,048,507)	(1,922,759)
Acquisition of intangible assets		(932,147)	(357,233)
Proceeds from disposal of property, plant and equipment		433,313	53,969
Loans given (<i>net</i>)		(4,244,587)	(8,521,446)
Interest received		1,975,474	1,358,567
Net cash used in investing activities		(32,837,709)	(18,374,317)
Cash flows from financing activities			
Proceeds from interest bearing borrowings		13,633,451	6,415,197
Cash received upon transfer of a subsidiary	5(a)(i)	6,092,096	-
Repayment of interest bearing borrowings		(8,945,807)	(6,802,125)
Proceeds from government grants		1,759,951	269,403
Proceeds from disposal of stake in a subsidiary with no loss of control	5(b)(iii)	38,816	-
Additional shareholder contributions	31(e)	27,983,478	13,000,000
Interest paid		(3,669,231)	(1,259,936)
Dividends paid to non-controlling interest		(4,335)	-
Change in non-controlling interest		86,182	-
Net cash generated by financing activities		36,974,601	11,622,539
Net increase / (decrease) in cash and cash equivalents		8,144,775	(5,688,978)
Cash and cash equivalents at 1 January		6,261,890	11,776,577
Exchange fluctuation on consolidation of foreign entities		117,423	174,291
Cash and cash equivalents at 31 December		14,524,088	6,261,890

The notes set out on pages 13 to 112 form an integral part of these consolidated financial statements.

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

1 Legal status and principal activities

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

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

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the Group’s functional and presentation currency. All financial information presented in AED has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

2 Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates with a significant risk of material adjustment in the subsequent years are discussed in note 37.

(e) New and revised IFRS

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

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

New and revised IFRSs

Summary of requirement

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*

The amendments give first time adopters the same transition provisions that Amendments to IFRS 7 provides to current IFRS preparers.

Amendments to IFRS 3 *Business Combinations*

The amendments clarify the measurement choice regarding non-controlling interests at the date of acquisition and regarding the accounting for share-based payment awards held by acquiree's employees.

Amendments to IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

IAS 24 *Related Party Disclosures (as revised in 2009)*

IAS 24 (revised in 2009) has been revised on the following two aspects: definition of a related party and the introduction of a partial exemption from the disclosure requirements for government-related entities.

Amendment to IAS 32 *Classification of Rights Issues*

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments.

Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*

The amendments address when refunds or reductions in future contributions should be regarded as available; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of a prepaid minimum funding contribution.

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Notes to the consolidated financial statements

2 Basis of preparation (continued)

(e) New and revised IFRS (continued)

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

New and revised IFRSs	Summary of requirement
IFRIC 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.
Improvements to IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 which amended IFRS 7, IAS 27, IAS 34 and IFRIC 13.

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

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

<i>New and revised IFRSs</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 1 <i>Presentation of Financial Statements</i> : relating to grouping items recognized in other comprehensive income	1 July 2012
Amendments to IFRS 7 financial instruments: disclosures, relating to disclosures on transfers of financial assets	1 July 2011
IFRS 9 financial instruments (as amended in 2010)	1 January 2015
Amendments to IAS 12: Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendment to IFRS 1 removal of fixed dates for first time adopters	1 July 2011
Amendment to IFRS 1 severe hyperinflation	1 July 2011
IFRS 10 Consolidated Financial Statements	1 January 2013
IFRS 11 Joints Arrangements	1 January 2013
IFRS 12 Disclosures in interests in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IAS 19 Employee Benefits (revised 2011)	1 January 2013
IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013
Amendment to IFRS 7 Financial Instruments: Disclosures relating to offsetting of financial assets and financial liabilities	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendment to IAS 32 Financial Instruments: Presentation relating to offsetting of financial assets and financial liabilities	1 January 2014
Amendment to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to transition to IFRS 9 (or otherwise when IFRS 9 is first applied)	1 January 2015

Management anticipates that these amendments will be adopted in the financial statements for the initial period when they become effective. Management is currently assessing the impact of the same on the financial statements.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies

The significant accounting policies set out below have been applied consistently by the Group and all its entities for all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transfer of entities under common control

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

(iii) Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owner of the Group.

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

(iv) Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(a) **Basis of consolidation** *(continued)*

(iv) *Business combinations (continued)*

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(v) *Joint ventures and equity accounted investees*

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

Associates and jointly controlled entities (equity accounted investees)

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(a) **Basis of consolidation** (continued)

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

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an equity accounted investee. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets (refer to Note 3(t)).

Upon disposal of equity accounted investees that results in a loss of significant influence or joint control, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial assets in accordance with IAS 39. The difference between the previous carrying amount of the equity accounted investee attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the equity accounted investee. In addition, the group accounts for all amounts previously recognized in other comprehensive income in relation to equity accounted investee on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the equity accounted investees would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Jointly controlled assets

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(vi) *Transactions eliminated on consolidation*

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

(b) Revenue from sale of goods and services

The significant operating activities of the Group include:

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

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

Revenue from sale of goods and services includes income from sale of semi-conductor wafers, sale of hydrocarbons, aircraft maintenance and repairs, service concessions, sale of land, medical services and flight training services. Revenue from such sales is recognised as follows:

(i) *Sale of goods and services rendered*

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

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

(ii) Sale of semiconductor wafers

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

(iii) Sale of hydrocarbons

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

(iv) Aircraft maintenance and repairs

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

For time and material contracts, maintenance, repair and overhaul work is recognised as revenue when the products are delivered and / or services are rendered to customers. Prepayments by the customers are deferred until then. Related costs, usually completed work-in-progress, are expensed at the same time. The Group's business exhibits a large number of individual work events under time and material contracts. These events are evenly distributed throughout the year, with the average duration of individual work events being relatively short (from a few hours up to a few days). Thus the application of the percentage of completion method would not result in any significant differences in revenue recognition. It would however lead to significant additional administrative efforts; the insignificant benefit obtained does not justify such efforts.

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

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

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

(v) Service concession arrangements

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

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

(vi) Supply of chilled water

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

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

(vii) Sale of land

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

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

(viii) Contract revenue

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

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

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

Mubadala follows the successful efforts method of accounting to account for its oil and gas exploration, evaluation, appraisal and development expenditures. Under this method, costs of acquiring properties, drilling successful exploration and appraisal wells, and all development costs are capitalised. All other costs are charged to profit or loss as and when incurred.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies *(continued)*

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

(i) Licence and property acquisition costs

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

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

(ii) Exploration & appraisal expenditures

Annual lease rentals, exploratory geological and geophysical costs including seismic costs incurred during exploration phase, are charged to profit or loss as and when incurred.

Costs associated directly with drilling of exploratory wells are capitalised within exploration and evaluation assets until the drilling of well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals, drilling services and payments made to contractors.

Costs directly associated with appraisal activity, including the costs of drilling appraisal wells and additional seismic, geological and geophysical activities, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, are initially capitalised as part of exploration and evaluation assets.

All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When such intent no longer exists, or if there is a change in circumstances signifying an adverse change in initial judgement, these costs are written off. When commercial reserves of hydrocarbons are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment.

(iii) Development expenditures

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalised within property, plant and equipment and is depreciated upon the commencement of production as described in the accounting policy for property, plant and equipment. *(see note 3(l)(iii))*.

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

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(d) Research and development costs

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

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

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

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

(e) Project expenses

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

(f) Foreign currency

(i) Foreign currency transactions

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

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(f) Foreign currency (continued)

(ii) Foreign operations

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

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

(g) Financial instruments

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

(i) Non-derivative financial assets

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

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

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

Loans and receivables

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, call deposits and short-term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

Classification of debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

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

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

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

(iii) Derivative financial instruments, including hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contract, interest rate swaps and cross currency swaps. Further details of derivatives financial instruments are disclosed in note 25. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

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

Embedded derivatives

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

Other non-trading derivatives

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

Hedge accounting

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

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

Cash flow hedges

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(g) Financial instruments (continued)

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

Economic hedges

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

Short selling

In certain instances the Group sells securities that it does not own and therefore, it will be obliged to purchase such securities at a future date. When the group sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current market value of the securities sold short. Upon the closing of the short position, the difference between the proceeds originally received and the cost of the securities purchased to close the short position is recognized as a realized gain or loss. This is disclosed on the statement of financial position in liabilities under financial liabilities through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realized. Upon realisation they are shown in the statement of comprehensive income as loss or income from financial investments.

(h) Government grants

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

This determination is done after considering various factors not limited to the following:

- if the purpose of the assistance was a restricted purpose,
- are there conditions associated with the receipt of the assistance,
- is there evidence of an equity transaction,
- the legal form and documentation of assistance,
- would similar support or assistance be given by the government to an entity not owned by the government.

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

Non-monetary government grants

(i) Land

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(h) Government grants (continued)

(i) Land (continued)

Furthermore, for certain plots of land based on their current or intended use, it is certain that no future economic benefits will flow to the Group from use of such lands. These are not recognised as assets, but their existence is disclosed in the consolidated financial statements (see note 34).

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

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

(ii) Others

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

Monetary government grants

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

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

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

(i) Finance income and expenses

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

(j) Income tax

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(j) Income tax (continued)

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the period in which they are incurred (*see note 3(i)*).

(l) Property, plant and equipment

(i) Recognition and measurement

Owned assets

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(I) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

Leased assets

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

<i>Particulars</i>	<i>Years</i>
Buildings	6 - 30 years and above
Plant and office equipment	2 - 25
Aircraft	10 - 20
Aircraft materials	1 - 24
Distribution network	50 years and above
Computers	3 - 7
Others	3 - 8

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate (see note 37).

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(l) Property, plant and equipment (continued)

(iv) Capital work in progress

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

(m) Intangible assets

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Trademarks

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

Service concession arrangements

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value upon initial recognition.

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

Other intangible assets

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

Subsequent expenditure

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(m) Intangible assets (continued)

Amortisation

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

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

Amortisation of other intangible assets is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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

Amortisation methods, useful lives and residual values are reviewed at each financial year-end date and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the tenants for the use of the infrastructure to the end of the concession period.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, if any.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(n) Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gain and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

(o) Leases

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(o) Leases (continued)

Group as lessee

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

Group as lessor

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the balance sheet as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment, if any. Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognize on a straight-line basis over the least term.

(p) Inventories

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

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

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

(q) Contract work in progress

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(q) Contract work in progress (continued)

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

(r) Provisions

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

Product warranties

The group warrants that products will meet the stated functionality as agreed to in each sales arrangements. The group provides for the estimated warranty costs under these guarantees based upon historical experience and management's estimates of the level of future claims and accrues for specific items at the time their existence is known and the amounts are estimable. Expenses for warranty costs were not significant in any of the periods presented.

Decommissioning liabilities

Liabilities for decommissioning costs are recognised when the Group becomes legally or constructively obliged to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made.

The amount of the obligation is estimated at current prices and in accordance with local conditions and requirements. A corresponding item of plant and equipment in an amount equivalent to the provision is included in the respective class of asset. This is subsequently depreciated or depleted as part of the capital costs of the facility or item of plant. Subsequent to initial recognition, any change, other than unwinding of discount, is recognised in property, plant and equipment.

(s) Staff terminal benefits and pensions

Entities domiciled in UAE

For the Group entities domiciled in UAE, a provision for staff terminal benefits is made in accordance with the UAE Federal Labour Law and is determined as the liability that would arise if the employment of all staff were terminated at the consolidated statement of financial position date.

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(s) Staff terminal benefits and pensions (continued)

Entities domiciled outside UAE

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

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

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

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

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

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

For certain defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Impairment

Financial assets

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(t) Impairment (continued)

Financial assets (continued)

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

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

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

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

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

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

Non-financial assets

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

3 Significant accounting policies (continued)

(t) Impairment (continued)

Non-financial assets (continued)

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

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

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

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

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

(u) Dividend income

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

(v) Investment in Gold bullion

Investments in gold bullion are measured at fair value determined by reference to published price quotations, with unrealised and realised gains and losses recorded in statement of comprehensive income.

(w) Operating segments

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments

Information about reportable segments

The Group has eleven reportable segments, as described below, which are the Group's strategic business units. The strategic business units are responsible for the screening due diligence, development and implementation of all business ideas, investment opportunities and acquisitions.

The following summary describes the operations in each of the Group's reportable segments:

- Oil and Gas and Energy – Is focused on diversification in the oil and gas sector; in particular hydrocarbon exploration and production, and creation of a globally competitive oil and gas exploration and production company.
- Renewable Energy (formerly “New Energy Technologies”) - Is focused on achieving the Government of Abu Dhabi's vision of transforming Abu Dhabi into a global leader in sustainable new energy technologies.
- Industry – Is focused on economic development through the development of sustainable industry.
- Real Estate and Hospitality – Is focused on residential, commercial and retail real estate developments and luxury hotels and resorts, both in Abu Dhabi and internationally.
- Infrastructure – Is focused on economic development through developing, owning and operating concession based infrastructure and educational and other facilities.
- Services Ventures - Is focused on economic development by establishing businesses in service-based sectors, such as leasing and financial, maritime transportation, defence and logistics services.
- Aerospace – Is focused on developing aviation and aerospace industry in Abu Dhabi and bringing aerospace technology, skills and facilities to Abu Dhabi.
- Information and Communication Technology - Is focused on economic development by establishing local information, communications and technology clusters.
- Healthcare – Is focused on creating a world class, competitive vertically integrated network of healthcare infrastructure.
- Semiconductor Technology – Is focused on advanced technological sector through fabricating semiconductor wafers and pre-fabricating services such as masks generation and engineering services.
- Corporate / Acquisitions – Develops and drives the strategy for the Group as a whole as well as for acquisitions across all lines of business in collaboration with the relevant business unit. Acquisitions business unit is also mandated to identify and realise opportunities that align with the broader Group strategy through global investments.

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

Segment reporting information table is presented on the next page.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments (continued)

	Oil & Gas & Energy	Renewable Energy	Industry	Real Estate & Hospitality	Infrastructure	Services Ventures	Aerospace	Information & Communication Technology	Healthcare	Semi Conductor ¹ Technology	Corporate / Acquisitions	Consolidated
	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11	31-Dec-11
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Revenues from external customers	7,479,251	100,858	872,432	26,319	847,227	298,778	5,934,309	174,650	427,219	11,731,958	18,296	27,911,297
Finance (expense) / income (net)	(294,266)	22,599	(121,587)	60,692	169,519	26,867	(244,538)	344,863	444	(411,092)	(369,482)	(815,981)
Total assets	13,994,426	9,385,967	11,046,788	13,056,913	9,378,235	2,010,472	13,373,533	13,896,184	2,976,257	49,597,305	38,379,169	177,095,249
Total liabilities	(6,638,060)	(1,075,015)	(4,075,096)	(707,022)	(7,166,078)	(844,849)	(7,421,677)	(6,058,281)	(658,434)	(17,283,707)	(18,792,154)	(70,720,373)
Equity accounted investees	2,057,576	400,398	1,147,947	593,095	7,172	550,088	1,424,227	2,876,660	-	291,381	3,849,876	13,198,420
Depreciation and amortisation	(1,424,579)	(255,816)	(92,265)	(18,837)	-	(10,566)	(473,268)	(65,667)	(14,610)	(5,049,680)	(74,283)	(7,479,571)
Additions to non-current assets ²	1,986,935	2,292,179	5,270,045	2,060,938	-	2,361	1,573,192	1,623,191	481,697	43,251,057	270,085	58,811,680
Share of results of equity accounted investees	1,485,980	(109,035)	549,257	19,137	3,762	29,803	28,488	(368,655)	-	(4,491)	956,602	2,590,848
(Loss) / profit for the year attributable to the owner of the Group	4,589,342	(700,109)	851,337	(1,586,602)	(10,528)	(10,047)	(100,583)	987	8,101	(3,601,898)	(2,639,655)	(3,199,655)
Total comprehensive income / (loss) attributable to the owner of the Group ³	4,593,454	(1,000,018)	894,099	(1,586,284)	(10,528)	(2,746)	(161,178)	(108,550)	8,101	(3,620,830)	(3,173,249)	(4,167,729)
Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments ³	4,618,425	(477,120)	617,993	(137,788)	476,026	(3,660)	(142,644)	987	8,101	(3,603,728)	(271,619)	1,084,973

¹ New segment reported arising from the transfer of ATIC (see note 5 (a)(i)).

² Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

³ For reconciliation between 'Total comprehensive income (loss) attributable to the owner of the Group' and 'Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments', refer to page 42.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments (continued)

	Oil & Gas & Energy	Renewable Energy	Industry	Real Estate & Hospitality	Infrastructure	Services Ventures	Aerospace	Information & Communication Technology	Healthcare	Semi Conductor ¹ Technology	Corporate / Acquisitions	Consolidated
	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10	31-Dec-10
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
	(Restated) ¹											
Revenues from external customers	6,065,017	115,929	735	503,230	3,458,560	252,286	5,122,293	-	313,624	-	9,917	15,841,591
Finance (expense) / income (net)	(367,694)	(124,756)	78,326	77,411	45,344	15,605	91,252	390,555	(2,298)	-	(429,002)	(225,257)
Total assets	12,746,958	7,976,631	3,686,111	12,359,394	8,437,313	1,638,290	11,735,364	11,662,513	968,487	-	30,927,853	102,138,914
Total liabilities	(6,720,979)	(784,969)	(751,562)	(1,158,380)	(6,282,995)	(497,638)	(6,764,305)	(4,833,132)	(397,815)	-	(11,830,277)	(40,022,052)
Equity accounted investees	1,690,576	746,080	986,001	481,550	5,609	551,605	1,218,097	67,037	-	-	513,246	6,259,801
Depreciation and amortisation	(1,549,828)	(80,197)	-	(15,273)	(116)	(7,570)	(390,752)	(2,200)	(6,519)	-	(114,041)	(2,166,496)
Additions to non-current assets ²	1,717,714	1,717,994	-	2,990,828	7,010	11,651	1,137,867	1,443,724	181,863	-	236,500	9,445,151
Share of results of equity accounted investees	1,237,224	(13,038)	(61,228)	41,422	3,286	(9,164)	(128,649)	(321,862)	-	-	68,062	816,053
(Loss) / profit for the year attributable to the owner of the Group	2,871,209	(847,395)	(47,470)	(806,354)	390,633	(9,356)	(176,241)	(12,155)	20,454	-	(177,970)	1,205,355
Total comprehensive income / (loss) attributable to the owner of the Group ³	2,892,257	(992,410)	(55,878)	(813,177)	390,633	(15,366)	(100,783)	(104,643)	20,454	-	(1,558,626)	(337,539)
Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments ³	3,150,024	(761,133)	(103,710)	288,511	635,678	(9,356)	(273,241)	(12,155)	20,454	-	(724,668)	2,210,404

¹ New segment reported arising from the transfer of ATIC (see note 5 (a)(i)).

² Non-current assets consist of property, plant and equipment, intangible assets and investment properties.

³ For reconciliation between 'Total comprehensive income (loss) attributable to the owner of the Group' and 'Total comprehensive income / (loss) attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments', refer to page 42.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments (continued)

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

	2011 AED '000	2010 AED '000
Total Comprehensive loss attributable to the owner of the Group	(4,167,729)	(337,539)
Net change in fair value of financial investments (see note 11)	2,491,659	(847,295)
Net change in the fair value of derivatives used as economic hedges (see note 11)	439,377	264,595
Impairment losses on available-for-sale financial assets (see note 11)	98,559	227,273
Decrease in fair value of investment properties (net) (see note 15)	959,867	927,650
Impairment losses on property, plant and equipment (see note 13)	652,958	279,951
Impairment losses on equity accounted investees	471,984	10,295
Impairment losses on intangible assets (see note 14)	29,207	239,581
Movements in other comprehensive income - attributable to owner	968,074	1,542,894
Gain on acquisitions (See note 5(a)(ii,iii),17(a))	(839,228)	-
Non-controlling interest in other comprehensive income	(19,755)	(97,001)
	<hr/>	<hr/>
Total comprehensive income attributable to the owner of the Group excluding impairments and fair value movements on investment property and financial investments	<u>1,084,973</u>	<u>2,210,404</u>

Geographical information

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

Geographical information

	For the year ended 31 Dec 2011	2011 Non-current assets ¹ AED '000	For the year ended 31 Dec 2010	2010 Non-current assets ¹ AED '000
United Arab Emirates (country of domicile)	4,531,763	26,450,159	5,929,090	17,678,914
State of Qatar	3,057,235	4,668,767	3,299,265	5,010,113
United States of America	9,273,802	9,510,346	942,289	-
Switzerland	1,255,669	4,571,081	1,212,194	4,172,009
Germany	1,117,673	18,547,933	298,623	809,130
Singapore	1,280,015	11,001,415	-	33,899
Thailand	2,076,159	1,313,735	1,475,117	1,493,792
United Kingdom	627,519	1,363,514	112,319	424,625
Netherlands	115,726	-	-	-
Others	4,575,736	4,255,039	2,572,694	3,106,785
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>27,911,297</u>	<u>81,681,989</u>	<u>15,841,591</u>	<u>32,729,267</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

4 Operating segments (continued)

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

Major customers

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

	2011 AED '000	2010 AED '000
Entities under common control		
Entities under common control	2,253,939	4,191,087
Aerospace	468,450	462,268
Corporate	703	-
Healthcare	41,349	270,258
Industry	509,937	-
Infrastructure	847,227	3,458,561
Real estate	2,122	-
Renewable energy	2,609	-
Services	248,378	-
Technology	133,164	-
	2,253,939	4,191,087
Third parties		
Oil and gas	2,998,622	2,676,260
Semi conductor	3,667,152	-

5 Subsidiaries

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

Subsidiaries	Domicile	Ownership interest	
		2011	2010
Dolphin Investment Company LLC	UAE	100%	100%
Liwa Energy Limited LLC	UAE	100%	100%
Abu Dhabi Future Energy Company PJSC	UAE	100%	100%
Al Yah Satellite Communications Company PJSC	UAE	100%	100%
Pearl Energy Limited ¹	Singapore	100%	100%
SR Technics Group ²	Luxembourg	70%	70%
Abu Dhabi Finance PJSC	UAE	52%	52%
Abu Dhabi Aircraft Technologies LLC	UAE	100%	100%
Al Hikma Development Company PJSC	UAE	100%	100%
Manhal Development Company PJSC	UAE	100%	51%
Al Maqsed Development Company PJSC	UAE	100%	100%
Fifteenth Investment LLC	UAE	100%	100%

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries (continued)

Subsidiaries	Domicile	Ownership interest	
		2011	2010
Treasury Holding Company LLC	UAE	100%	100%
Advanced Technology Investment Company ("ATIC")	UAE	100%	-
National Central Cooling Company PJSC ("Tabreed")	UAE	27%	-

¹ Subsidiary of Beta Investment Company LLC.

² Subsidiary of Takeoff Top Luxco S.A.

(a) Acquisition of subsidiaries

i) Transfer of Advanced Technology Investment Company ("ATIC")

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

The assets and liabilities of ATIC at 1 January 2011, were as follows:

	AED '000
<i>Assets</i>	
Property plant and equipment	24,141,277
Intangible assets	1,872,218
Investment in equity accounted investees	379,305
Deferred tax assets	383,752
Other assets	1,316,776
Inventories	1,266,678
Receivables and prepayments	2,106,157
Cash and cash equivalents	6,092,096
	37,558,259
<i>Liabilities</i>	
Interest bearing borrowings	(8,008,634)
Obligation under finance lease	(1,384,122)
Government grants	(1,469,400)
Payables and accruals	(3,142,789)
Other liabilities	(2,033,801)
Deferred tax liabilities	(541,757)
Non-controlling interest	(184,347)
	(16,764,850)
Net assets accounted for as additional shareholder contribution (see note 31(e))	20,793,409

Transfer of ATIC represents transfer of interest in an entity that was under the control of the Shareholder that controls the Group, and recognised in accordance with the Group's accounting policy on acquisition of entities under common control (see note 3(a)(ii)).

Accordingly from the effective date of transfer, the assets and liabilities acquired are recognised by the Group at the carrying amounts recognised previously in the books of the transferor.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries (continued)

(a) Acquisition of subsidiaries (continued)

i) Transfer of Advanced Technology Investment Company ("ATIC") (continued)

During the period from the date of transfer to 31 December 2011, ATIC has earned revenue of AED 11,731,958 thousand and incurred a net loss of AED 4,363,844 thousand.

ii) Acquisition of stake in National Central Cooling Company PJSC ("Tabreed")

The Group owned 26.9% of the issued share capital of Tabreed through existing shareholding, additional purchase during the year and conversion of existing mandatory convertible bond into ordinary shares during the year up to 31 March 2011. On 1 April 2011, the Group converted an existing loan of AED 1.7 billion given to Tabreed into mandatory convertible bonds maturing in 2019, with an early conversion call option at the discretion of the Group, which, when considered on a fully diluted basis, increases the Group's effective equity ownership of the investee by an additional 50.9%, thereby taking the total effective equity ownership to 77.8%. Considering the features of the new mandatory convertible bonds, they were assessed to provide the Group at present with rights incidental to ownership interest in the equity of the investee. Accordingly, on the basis of 77.8% controlling equity interest, Tabreed was consolidated with effect from 1 April 2011, with the remaining 22.2% attributed to the non-controlling interest holders. A purchase price allocation exercise was conducted on 1 April 2011 to recognize the initial acquisition of the subsidiary.

A summary of the purchase price allocation exercise is as follows:

<i>AED in thousands</i>	Recognised values on acquisition
Property, plant and equipment	4,898,953
Investment in equity accounted investees	337,165
Finance lease receivables	1,082,228
Other assets	81,988
Inventories	32,791
Receivables and prepayments	900,672
Cash and cash equivalents	433,642
Payables and accruals	(1,398,689)
Other liabilities	(152,715)
Obligations under finance lease	(40,815)
Interest bearing borrowings	(3,442,923)
Total identifiable net assets	2,732,297
Non controlling interest based on percentage of net assets (22.2%)	606,570
Group's share of net assets (77.8%)	2,125,727
Purchase consideration	(1,900,450)
Bargain purchase	225,277

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries *(continued)*

(a) Acquisition of subsidiaries *(continued)*

ii) Acquisition of stake in National Central Cooling Company PJSC ("Tabreed") (continued)

The fair value of purchase consideration is AED 1,900,450 thousand, as below :

Fair value of existing shares - AED 200,450 thousand

Fair value of new mandatory convertible bonds - AED 1,700,000 thousand

In the period from the date of acquisition to 31 December 2011, Tabreed earned revenue of AED 872,285 thousand and profit of AED 134,856 thousand.

The bargain purchase arises mainly due to the following:

- Share price of Tabreed was trading (at AED 1.13 per share) below its net assets per share on a fully diluted basis (AED 1.65 per share) at 1 April 2011.
- Tabreed's net assets as at 1 April 2011 increased from AED 1.6 billion to AED 3.6 billion. The conversion of existing mandatory convertible bond and issuance of the new mandatory convertible bond resulted in debt amounting to AED 2 billion being transferred to equity.
- Up to 31 March 2011, the Group valued the existing mandatory convertible bond at market price, the carrying value of which had dropped compared to their issue price.

iii) Acquisition of stake in JBI Properties Services Company LLC ("JBI")

On 25 April 2011, the Group obtained control of JBI Properties Services Company LLC (JBI), a company incorporated in Abu Dhabi. Prior to obtaining the control the Group held 51% shareholding in JBI in the form of joint venture partner. The control was obtained by acquiring an additional 49% shareholding from the other joint venture partner and thereby increasing the Group's shareholding from 51% to 100%. In the period from the date of acquisition to 27 December 2011, JBI made revenues of AED 13,354 thousand a profit of AED 31,203 thousand. The additional shareholding has been acquired for a consideration of AED 83,584 thousand which results in gain of AED 5,816 thousand. This entity has been disposed of in December 2011 (*see note 5(b)(i)*).

If the acquisition of a subsidiary (*see note 5(a)(ii)*) had occurred on 1 January 2011, management estimates that the Group's consolidated revenue from sale of goods and services would have been AED 28,156,911 thousand and the Group's consolidated loss for the period would have been AED 4,490,661 thousand for the period ended 31 December 2011.

iv) Acquisition of Pearl Energy (Thailand) Limited ("PETL")

In 2010, the Group acquired 100% voting shares of Pearl Energy (Thailand) Limited that owns working interests in certain concession blocks in Thailand.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries (continued)

a) Acquisition of subsidiaries (continued)

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

	2010 AED '000
Cash	14,041
Other current assets	3,104
Total assets (A)	<u>17,145</u>
Trade payables	(694)
Other payables	(12,254)
Total liabilities (B)	<u>(12,948)</u>
Total identifiable net assets at fair value (A + B)	4,197
Goodwill arising on acquisition	184,457
Purchase consideration transferred	188,654
Non cash consideration - other receivables settlement	(47,796)
	<u>140,858</u>
<i>Analysis of cash flows on acquisition</i>	
Net cash acquired with the subsidiary	14,041
Cash paid	(140,858)
	<u>(126,817)</u>

The goodwill recognised above was attributable to the possibility of addition of certified reserves by the end of the financial year. As the exploration and evaluation for the relevant blocks was unsuccessful, the goodwill was fully impaired in 2010 as this was not achieved.

(b) Disposals

i) Disposal of subsidiaries

During the year, the Group has made disposals of its wholly owned subsidiaries, Pearl Oil (Salawati) Limited and Pearl Oil (Satria) Limited and JBI Properties Services Company. In 2010, the Group, through its subsidiary, disposed of its investments in Pearl Oil (Basin) Limited, Pearl Oil (Island) Limited and Pearl Oil (Tungkal) Limited.

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries (continued)

(b) Disposals (continued)

i) Disposal of subsidiaries (continued)

	2011 AED '000	2010 AED '000
Cash	20,692	11,227
Receivables and prepayments	42,334	69,003
Payables and accruals	(55,267)	(107,439)
Net current assets / (liabilities) (A)	<u>7,759</u>	<u>(27,209)</u>
Property, plant and equipment	9,720	179,649
Other assets	-	47,465
Deferred tax liabilities	-	(59,143)
Other liabilities	-	(53,045)
Net non-current assets (B)	<u>9,720</u>	<u>114,926</u>
Carrying value of the net assets (A + B)	<u>17,479</u>	<u>87,717</u>
Goodwill on acquisition	37,110	-
Gain on disposal of subsidiaries recognised in profit or loss (see note 8)	<u>20,368</u>	<u>57,270</u>
Purchase consideration - net of professional fees	74,957	144,987
Cash balances of subsidiaries disposed	(20,692)	(11,226)
Net proceeds arising from the disposal	<u><u>54,265</u></u>	<u><u>133,761</u></u>

ii) Disposal of working interest

During the year, the Group disposed its working interest of 40% in a concession block in Indonesia. In 2010, the Group had disposed of 30% of its working interest in another concession block in Indonesia.

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

	2011 AED '000	2010 AED '000
Cash and cash equivalents	-	44
Receivables and prepayments	4,203	3,343
Payables and accruals	(2,491)	(2,369)
Net current assets	<u>1,712</u>	<u>1,018</u>
Property, plant and equipment	793	14,808
Intangible assets	-	23,242
Other assets	-	42,708
Deferred tax liabilities	-	(15,032)
Net assets	<u><u>2,505</u></u>	<u><u>66,744</u></u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

5 Subsidiaries (continued)

(b) Disposals (continued)

<i>ii) Disposal of working interest (continued)</i>	2011	2010
	AED '000	AED '000
(Loss) / gain on disposal of working interest	(4,038)	50,676
Reimbursement of current year expenditure	-	37,767
	<hr/>	<hr/>
Purchase consideration	(1,533)	155,187
Cash balances disposed	-	(44)
	<hr/>	<hr/>
Net (compensation paid) / proceeds arising from disposal	<u>(1,533)</u>	<u>155,143</u>

iii) Disposal of stake in a subsidiary with no loss of control

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

The transaction has been accounted for as an equity transaction with non-controlling interest, resulting in the following:

	2011
	AED '000
Net proceeds from disposal of 49% stake in a subsidiary	38,816
Net assets attributable to non-controlling interest	(158,654)
	<hr/>
Decrease in equity attributable to the owner of the Group	<u>(119,838)</u>
Represented by:	
Decrease in retained earnings	<u>(119,838)</u>

6 Revenue from sale of goods and services

	2011	2010
	AED '000	AED '000
Sale of semi conductor wafers ¹	11,611,385	-
Sale of hydrocarbons ²	7,479,251	6,055,502
Aircraft maintenance and repairs	5,599,963	4,921,994
Service concession revenue (refer note 38)	844,990	3,457,959
Revenue from supply of chilled water ³	529,005	-
Medical services	425,854	314,731
Contract revenue	205,159	223,699
Sale of land	-	488,292
Satellite capacity service revenue	174,650	-
Others	1,041,040	379,414
	<hr/>	<hr/>
	<u>27,911,297</u>	<u>15,841,591</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

6 Revenue from sale of goods and services (continued)

¹ Sale from semi-conductor wafers represents the revenue generated by Advanced Technology Investment Company, a subsidiary transferred during the year (see note 5 (a)(i)).

² Sale of hydrocarbons is recorded net of royalties amounting to AED 462,417 thousand (2010: AED 472,382 thousand).

³ Revenue from supply of chilled water represents the revenue generated by National Central Cooling Company PJSC, a subsidiary acquired during the year (see note 5(a)(ii)).

7 Cost of sales of goods and services

	2011 AED '000	2010 AED '000
Raw material	10,601,469	2,883,422
Depreciation of property, plant and equipment	4,729,481	1,493,426
Staff costs	4,052,772	2,187,550
Service concession cost	577,346	2,816,462
Amortisation of intangible assets	497,664	332,683
Others	1,798,502	1,126,861
	22,257,234	10,840,404

8 Other income

	2011 AED '000	2010 AED '000
Rental income	89,366	24,552
Management fee	67,240	66,198
Gain on disposal of property, plant and equipment	59,364	9,246
Gain on disposal of subsidiaries (see note 5(b)(i))	20,368	57,270
Loss on disposal of financial assets at fair value through profit or loss	(55,848)	(213)
Gain on disposal of available for sale financial assets	-	127,195
Income from insurance claim	101,080	-
Others	258,373	375,726
	539,943	659,974

9 Research and development expenses

	2011 AED '000	2010 AED '000
Depreciation of property, plant and equipment	1,096,316	-
Staff costs	776,769	-
Joint development agreement fees	448,167	-
Amortisation of intangible assets	169,350	-
Other research and development expenses	456,204	80,341
	2,946,806	80,341

Mubadala Development Company PJSC

Notes to the consolidated financial statements

9 Research and development expenses *(continued)*

Research and development expenses primarily represents research and development expenses incurred by ATIC, a subsidiary acquired during the period *(see note 5(a)(i))*, and conducts microprocessor manufacturing process development activities primarily through a joint development agreement with other technology companies. Under this joint development agreement, the Group jointly conducts development activities on new process technologies to be implemented in silicon wafer manufacturing. This relationship also involves laboratory based research of emerging technologies.

10 Other general and administrative expenses

	2011 AED '000	2010 AED '000
Staff costs	2,278,993	1,613,635
Depreciation of property, plant and equipment	872,345	247,079
Office expenses	552,202	456,108
Public relations	285,057	364,921
Amortisation of intangible assets	114,415	93,308
Other expenses and losses	883,907	712,316
	4,986,919	3,487,367

11 (Loss) / income from financial investments

	2011 AED '000	2010 AED '000
<i>Financial assets / liabilities at fair value through profit or loss</i>		
Net change in fair value of investments ¹ <i>(see note 18)</i>	(2,491,659)	847,295
Net change in the fair value of derivatives used as economic hedges - not designated for hedge accounting	(439,377)	(264,595)
	(2,931,036)	582,700
<i>Available for sale financial assets</i>		
Impairment losses <i>(see note 18)</i>	(98,559)	(227,273)
	(3,029,595)	355,427

¹ In 2010, the Group invested USD 500 million in an unquoted hybrid convertible preferred instrument. The Group also received free warrants, immediately convertible into shares, equivalent to 2% of the investee company's equity after the conversion. Both these instruments were recognised at fair value through profit or loss. Upon conversion of the warrants, the equity shares have been classified as available for sale financial assets and a gain of AED 794,945 thousand, representing the fair value of the equity shares upon conversion, was recognised in 2010, and included in the net change in fair value of investments at fair value through profit or loss.

Dividend income from financial assets at fair value through profit or loss was AED 164,753 thousand (2010: AED 185,468 thousand) and dividend income from available-for-sale financial assets was AED 228,282 thousand (2010: AED 145,910 thousand).

Mubadala Development Company PJSC

Notes to the consolidated financial statements

12 Finance income and expense

	2011 AED '000	2010 AED '000
<i>Finance income</i>		
Interest income	1,937,714	1,358,567
Net foreign exchange gain	38,087	41,086
	<u>1,975,801</u>	<u>1,399,653</u>
<i>Finance expense</i>		
Borrowing costs ¹	(2,791,782)	(1,624,910)
Net finance expense	<u>(815,981)</u>	<u>(225,257)</u>

¹ The Group incurred transaction costs in relation to securing various long term financing facilities (*see note 26*). These costs, which include legal consultancy charges, facility arrangement and structuring fees, are deducted from the carrying values of the respective loans, and are being amortised using the effective interest method. The amortisation expense is included within the related borrowing costs. The balance of these deferred unamortised costs at 31 December 2011 is AED 519,837 thousand (*2010: AED 421,306 thousand*).

Mubadala Development Company PJSC

Notes to the consolidated financial statements

13 Property, plant and equipment

	Land & Buildings ^{2,3} AED '000	Oil and gas assets AED '000	Plant, & office equipment AED '000	Aircraft & aircraft materials ¹ AED '000	Computers AED '000	Distribution network AED '000	Others AED '000	Capital work in progress AED '000	Total AED '000
<i>Cost</i>									
At 1 January 2010	505,419	9,927,077	1,260,876	1,873,335	97,194	-	20,240	8,587,047	22,271,188
Additions	167,878	1,047,373	322,671	400,329	46,174	-	44,883	4,840,139	6,869,447
Transfers to intangible assets	-	-	(1,283)	-	(9,889)	-	-	(136,317)	(147,489)
Disposals	(777)	(404,261)	(59,981)	(29,314)	(984)	-	(1,026)	(318,990)	(815,333)
Other transfers	1,849,312	52,659	171,435	8,766	51,396	-	(4,522)	(2,496,379)	(367,333)
Effect of movement in foreign exchange rates	(18,598)	-	74,726	185,913	2,548	-	(762)	(73,257)	170,570
At 31 December 2010	2,503,234	10,622,848	1,768,444	2,439,029	186,439	-	58,813	10,402,243	27,981,050
At 1 January 2011	2,503,234	10,622,848	1,768,444	2,439,029	186,439	-	58,813	10,402,243	27,981,050
Additions	480,063	1,335,379	374,867	1,202,937	140,999	-	5,137	22,318,968	25,858,350
Acquisition through business combination	7,514,954	-	12,011,196	-	5,537	1,624,646	(21)	7,893,142	29,049,454
Transfers from intangible assets	-	-	-	-	-	-	-	45,623	45,623
Transfer to investment properties	-	-	-	-	-	-	-	(81,229)	(81,229)
Disposals	(27,774)	-	(546,202)	(72,385)	(20,285)	(822)	(3,689)	(22,292)	(693,449)
Other transfers	849,133	161,615	14,804,610	7,706	34,345	156,581	76,842	(17,086,497)	(995,665)
Effect of movement in foreign exchange rates	(12,544)	-	(24,939)	7,123	827	-	(25)	(49,436)	(78,994)
At 31 December 2011	11,307,066	12,119,842	28,387,976	3,584,410	347,862	1,780,405	137,057	23,420,522	81,085,140

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Notes to the consolidated financial statements

13 Property, plant and equipment (continued)

	Land & Buildings ^{2,3} AED '000	Oil and gas assets AED '000	Plant, & office equipment AED '000	Aircraft & aircraft materials ¹ AED '000	Computers AED '000	Distribution network AED '000	Others AED '000	Capital work in progress AED '000	Total AED '000
Accumulated depreciation and impairment losses									
At 1 January 2010	(23,240)	(2,640,931)	(142,277)	(128,676)	(60,600)	-	(9,018)	-	(3,004,742)
Charge for the year	(82,255)	(1,213,133)	(224,010)	(180,751)	(36,453)	-	(3,903)	-	(1,740,505)
Impairment ⁴	-	(39,233)	-	-	-	-	-	(240,718)	(279,951)
Disposals	-	278,249	13,447	18,131	799	-	631	-	311,257
Effect of movement in foreign exchange rates	(600)	-	(9,817)	(53,277)	(2,057)	-	616	-	(65,135)
At 31 December 2010	(106,095)	(3,615,048)	(362,657)	(344,573)	(98,311)	-	(11,674)	(240,718)	(4,779,076)
At 1 January 2011	(106,095)	(3,615,048)	(362,657)	(344,573)	(98,311)	-	(11,674)	(240,718)	(4,779,076)
Charge for the year	(891,239)	(1,216,743)	(4,297,776)	(200,942)	(52,849)	(24,069)	(14,524)	-	(6,698,142)
Transfers from intangible assets	-	-	-	-	-	-	-	(48,960)	(48,960)
Other transfers	10,389	26,629	41,759	3,721	(34,822)	1,426	(4,465)	-	44,637
Impairment ⁴	(1,642)	-	(17,754)	(11,744)	(25)	-	-	(621,793)	(652,958)
Disposals	27,010	-	245,017	18,628	15,073	222	3,037	-	308,987
Effect of movement in foreign exchange rates	2,284	-	10,319	5,268	(603)	-	81	-	17,349
At 31 December 2011	(959,293)	(4,805,162)	(4,381,092)	(529,642)	(171,537)	(22,421)	(27,545)	(911,471)	(11,808,163)
Carrying amounts									
At 1 January 2010	482,179	7,286,146	1,118,599	1,744,659	36,594	-	11,222	8,587,047	19,266,446
At 31 December 2010	2,397,139	7,007,800	1,405,787	2,094,456	88,128	-	47,139	10,161,525	23,201,974
At 31 December 2011	10,347,773	7,314,680	24,006,884	3,054,768	176,325	1,757,984	109,512	22,509,051	69,276,977

¹ It includes certain helicopters and helicopter spare parts that were received by a subsidiary in prior years, as a government grant, are recorded above at nominal value (see note 34(a)(ii)).

² The UAE Armed Forces, General Head Quarters, has granted certain subsidiaries the right to use the land free of charge. Such land does not form part of these consolidated financial statements (see note 34(a)(iii)).

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

⁴ Impairment primarily pertains to project costs previously capitalized. Based on management's current estimate these projects are unlikely to materialize. Further, impairment losses also includes write-off of certain redundant design costs and infrastructure assets of one of the Group companies.

⁵ Property, plant and equipment having carrying value of AED 1,415,631 thousand has been pledged as security (2010: AED 46,214 thousand).

⁶ Property, plant and equipment having carrying value of AED 1,596,478 thousand (2010: AED 22,744 thousand) are held under finance lease.

⁷ The amount of borrowing costs capitalised during the year were AED 431,459 thousand (2010: AED 256,682 thousand).

Mubadala Development Company PJSC

Notes to the consolidated financial statements

14 Intangible assets

	Exploration licenses AED '000	Trademarks AED '000	Proved and probable oil and gas reserves AED '000	Possible and contingent oil and gas reserves AED '000	Goodwill AED '000	Technology, Licence & Software AED '000	Customer Contracts AED '000	Others AED '000	Total AED '000
Cost									
At 1 January 2010	632,339	2,024,403	2,313,996	1,466,072	410,917	7,505	452,868	1,197,472	8,505,572
Additions	-	-	-	-	184,687	14,686	-	453,572	652,945
Transfers (to) / from property, plant and equipment	(2,007)	-	-	-	-	154,713	-	(5,217)	147,489
Disposals	-	-	-	(322,350)	(2,065)	(2,747)	-	(193,041)	(520,203)
Other transfers	-	-	-	-	-	78,151	-	(78,151)	-
Effect of movement in foreign exchange rates	-	185,609	-	-	-	2,827	-	61,975	250,411
At 31 December 2010	630,332	2,210,012	2,313,996	1,143,722	593,539	255,135	452,868	1,436,610	9,036,214
At 1 January 2011	630,332	2,210,012	2,313,996	1,143,722	593,539	255,135	452,868	1,436,610	9,036,214
Additions	73,470	-	-	-	238,858	326,282	-	293,537	932,147
Acquisition through business combination	-	-	-	-	159,823	1,293,720	270,051	199,628	1,923,222
Transfers to property, plant and equipment	-	-	-	-	-	7,077	-	(52,700)	(45,623)
Disposals	-	-	-	-	(51,004)	(109,522)	-	-	(160,526)
Other transfers	2,007	12,737	(3)	(39,036)	(6,932)	140,348	(132,613)	(69,639)	(93,131)
Effect of movement in foreign exchange rates	-	9,000	-	-	-	406	756	(815)	9,347
At 31 December 2011	705,809	2,231,749	2,313,993	1,104,686	934,284	1,913,446	591,062	1,806,621	11,601,650

14 Intangible assets (continued)

	Exploration licenses	Trademarks	Proved and probable oil and gas reserves	Possible and contingent oil and gas reserves	Goodwill	Technology, Licence & Software	Customer Contracts	Others	Total
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Mubadala Development Company PJSC

Notes to the consolidated financial statements

	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
<i>Accumulated amortisation and impairment losses</i>									
At 1 January 2010	(26,532)	-	(1,594,112)	(1,269,157)	(363,555)	(803)	-	(611,173)	(3,865,332)
Charge for the year	(58,392)	-	(173,459)	(23,268)	-	(28,652)	(38,063)	(104,157)	(425,991)
Impairment	-	-	(1,745)	(30,597)	(184,457)	-	-	(22,782)	(239,581)
Disposals	-	-	-	288,193	-	368	-	119,456	408,017
Other transfers	-	-	-	-	-	(36,913)	-	36,913	-
Effect of movement in foreign exchange rates	-	-	-	-	-	(6,509)	-	(16,407)	(22,916)
At 31 December 2010	(84,924)	-	(1,769,316)	(1,034,829)	(548,012)	(72,509)	(38,063)	(598,150)	(4,145,803)
At 1 January 2011	(84,924)	-	(1,769,316)	(1,034,829)	(548,012)	(72,509)	(38,063)	(598,150)	(4,145,803)
Charge for the year	(78,033)	-	(90,486)	(21,358)	-	(427,623)	(125,630)	(38,299)	(781,429)
Impairment	-	-	-	-	-	(124)	-	(29,083)	(29,207)
Transfers to property, plant and equipment	-	-	-	-	-	-	-	48,960	48,960
Disposals	-	-	-	-	-	103,881	-	-	103,881
Other transfers	-	-	(143,716)	114,254	-	(60,230)	58,712	(6,816)	(37,796)
Effect of movement in foreign exchange rates	-	-	-	-	-	(454)	6,686	941	7,173
At 31 December 2011	(162,957)	-	(2,003,518)	(941,933)	(548,012)	(457,059)	(98,295)	(622,447)	(4,834,221)
<i>Carrying amounts</i>									
At 1 January 2010	605,807	2,024,403	719,884	196,915	47,362	6,702	452,868	586,299	4,640,240
At 31 December 2010	545,408	2,210,012	544,680	108,893	45,527	182,626	414,805	838,460	4,890,411
At 31 December 2011	542,852	2,231,749	310,475	162,753	386,272	1,456,387	492,767	1,184,174	6,767,429

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Notes to the consolidated financial statements

14 Intangible assets (continued)

Impairment losses

In 2010, the Group changed its accounting policy relating to exploration and evaluation expenditures. As a result of this change, the carrying values of cash generating units, Sebuku and Jasmine increased due to capitalisation of certain past successful exploratory drilling and acquisition costs. This increase along with the increase in future estimated operating and capital costs for Sebuku resulted in impairment losses of these cash generating units ("CGUs").

The carrying amounts of intangibles at Bulu and East Muriah fields were assessed during the current year and an impairment loss of AED 29,083 thousand was recognized during the year (2010: AED 55,124 thousand impairment loss for Sebuku and Jasmine and AED 184,457 thousand impairment of goodwill recognised on acquisition of Pearl Energy Thailand Limited) (see note 5(a)(iv)).

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

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

- Cash flows were projected for each field based on the projected production plan of the fields' 2P (proved and probable) reserves.
- Oil prices are based on 31 December 2011 Brent future prices and are adjusted for quality, transportation fees and regional price differences.
- A post-tax discount rate of 11 – 14.5 percent was applied in determining the recoverable amount of the respective units.

The carrying value of AED 2,231,749 thousand (2010: AED 2,210,012 thousand) represents trademarks identified when SR Technics was acquired through business combination. The life of the trademark is assessed as indefinite (based on the fact that it refers to the legal name of Group's subsidiary and there are no intentions to cease using it). The trademark is tested for impairment according to the requirements of IFRSs. For this purpose, it is allocated to the identified CGU. The basis of impairment test is value in use calculation. Based on this calculation, no impairment was recognised during the year (2010: AED nil). The underlying assumptions, which have been determined based on external sources, are a royalty rate of 2.4% (2010: 2.4%) of the operating businesses' revenue, a residual life of more than 30 years, a growth rate of 4.1% for the first five years after the business plan period and a perpetual growth rate of 3% for the years thereafter (2010: perpetual growth rate 3% for all years after business plan period). Further a discount rate of 6.8% (2010: 7.2%) was assumed.

Intangible assets include goodwill amounting to AED 348 million pertaining to ATIC, a subsidiary transferred by the Shareholder (see note 5(a)(i)), primarily arising out of acquisition of its two subsidiaries during the current and prior years with respect to their wafer fabrication plants in multiple locations. During the year, ATIC performed a goodwill impairment review based on forecast cash flows. The recoverable amounts of cash generating units were estimated on the basis of their value in use, which is determined by discounting the future cash flows from the continuing use of wafer fabrication plants. The pre-tax discount rate applied to the cash flow projections is 11% and the growth rate used to extrapolate the cash flows beyond nine year period is 1.4%. Based on the results of the goodwill impairment assessment, it is concluded that the recoverable amounts of cash generation units is higher than their carrying values.

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Notes to the consolidated financial statements

14 Intangible assets (continued)

Impairment losses (continued)

Key assumptions used and value in use calculations

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

- a) Sales prices - sales prices are based on prevailing price levels and historical trends of change in prices while moving from one technological mode to another. As a general trend, prices of products are higher at the time of their launch and demonstrate a declining trend in post launch periods, in line with industry standards.
- b) Discount rates - discount rates represent the current market assessment of the risks specific to the business. The discount rate is derived from the weighted average cost of capital (WACC). WACC takes into account both debt and equity. Cost of equity is derived from the expected return on investment by the Group and cost of debt is based on the interest bearing borrowings which the Group is obliged to service.
- c) Market share assumptions - these assumptions are important because, as well as using industry data for growth rates, management assesses how the business position, relative to its competitors, might change over the forecast period. Management expects the Group's share of semi conductor market to moderately grow over the forecast period.

Sensitivity to change in assumptions

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

15 Investment properties

	2011 AED '000	2010 AED '000
Investment properties	1,427,800	63,353
Investment properties under development	4,209,783	4,573,529
	<u>5,637,583</u>	<u>4,636,882</u>

Movement in investment properties is as follows:

At 1 January	63,353	65,523
Transferred from advances	1,372,519	-
Decrease in fair value	(8,072)	(2,170)
	<u>1,427,800</u>	<u>63,353</u>

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Notes to the consolidated financial statements

15 Investment properties (continued)

Movement in investment properties under development is as follows:

	2011 AED '000	2010 AED '000
At 1 January	4,573,529	3,576,250
Additions during the year	1,048,507	1,922,759
Transferred from property, plant and equipment	81,229	-
Transferred to inventories	(541,687)	-
Decrease in fair value	(951,795)	(925,480)
	<u>4,209,783</u>	<u>4,573,529</u>

Investment property portfolio is valued through a mix of internal valuations and/or independent external valuations. Where external independent valuation is used management engages external independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably and willingly. Where appropriate, the specific approved usage of the investment property is given due consideration.

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

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

Investment properties comprise the New Fish Market land, Al Sowwah Square land, Musaffah land, Rihan Heights and Masdar City (Courtyard and Siemens) land.

The New Fish Market land is in the city of Abu Dhabi and was granted by the Government of Abu Dhabi. The fair value of this plot of land, amounts to AED 20,981 thousand (2010: AED 23,003 thousand).

Having regard to the nature of the property and the lack of comparable market data, the Group has valued the Al Sowwah Square property in the current and previous years based on the residual valuation methodology through a discounted cash flow technique. Cash flow projections are based on estimated future cash inflows, supported by existing leases, current market rents for similar properties and estimated future cash outflows primarily based on construction contracts already awarded. The valuation of the property is primarily based on the management's estimate of expected net effective rentals achievable for this property considering rent abatement periods. Cost of development includes direct project costs and an appropriate share of the overall island infrastructure works as well as any value enhancing developments. The fair value of this property amounts to AED 4,060,767 thousand (2010 : AED 4,573,529 thousand). The valuation methodology and assumptions have been reviewed and critiqued by a firm of independent valuers who have appropriate qualifications and experience in the valuation of similar properties.

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Notes to the consolidated financial statements

15 Investment properties *(continued)*

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

During the year, the Masdar City (Courtyard and Siemens) land has been recognized as investment property under development based on its intended use. The Group has valued this investment property through an independent external valuer using residual valuation methodology through a discounted cash flow technique. Valuation is based on estimated future cash inflows expected for the net lettable area and future cash outflows based on construction contracts already awarded for part of the land and estimate of the development costs where contracts have not yet been awarded. The fair value of this land amounts to AED 149,016 thousand.

The cash flows from the New Fish Market land, Al Sowwah Square property, Rihan Heights and Masdar City land (Courtyard and Siemens) are discounted using discount rates ranging from 8 - 10% that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group has reassessed the value of the Musaffah land in the current year and recognised a loss of AED 6,050 thousand (*2010: AED nil*) to the carrying value which was determined by the independent valuers based on the income capitalization approach. The fair value of this land amounts to AED 34,300 thousand (*2010: AED 40,350 thousand*).

Details of other plots of lands owned by the Group, which are not recognised and accordingly not included above, are set out in note 34 to these consolidated financial statements.

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Notes to the consolidated financial statements

16 Interest in jointly controlled assets

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

Contract area	Held by	Description	Group's working interest	
			2011 %	2010 %
Concession blocks in Oman				
Block 53	Liwa Energy Limited	Production stage	15	15
Block 62	Sixteenth Investment Company LLC	Exploration stage	32	32
Concession blocks in Qatar				
Qatar - North Field	Dolphin Investment Company LLC	Production stage	51	51
Concession blocks in Kazakhstan				
Block N – Caspian sea	MDC (Oil & Gas N Block Kazakhstan) GMBH	Exploration stage	24.5	24.5
Concession blocks in Bahrain				
Bahrain Field	MDC Oil & Gas (Bahrain Field) LLC	Development stage	32	32
Concession block in Tanzania				
Block 7	MDC Oil & Gas (TZ Block 7) Limited	Exploration stage	20	-
Concession blocks in Indonesia				
Sebuku PSC	Pearl Oil (Sebuku) Ltd.	Development stage	70	70
West Salawati PSC	Pearl Oil (Salawati) Limited	Exploration stage	-	100 ¹
Bulu PSC	Pearl Oil (Satria) Limited [Formerly known as PearlOil (Sebana) Limited]	Exploration stage	-	42.5
Karana PSC	Pearl Oil (K) Limited	Exploration stage	-	100 ¹
Sibaru PSC	Pearl Oil (Sandstone) Limited	Exploration stage	-	40
Kerapu PSC	Pearl Oil (Tachylyte) Limited	Exploration stage	100 ¹	100 ¹
East Muriah PSC	Pearl Oil (East Muriah) Limited	Exploration stage	50	50
Concession blocks in Thailand				
B5/27	Pearl Oil (Thailand) Limited	Production of crude oil under concession agreement	100 ¹	100 ¹
G1/48	Pearl Oil (Amata) Limited	Exploration Stage	40	40
	Pearl Oil (G1) Limited	Exploration Stage	20	20
G10/48	Pearl Oil (Thailand) Limited	Exploration Stage	50	50
	Pearl Oil (G2-G10) Limited	Exploration stage	25	25
G2/48	Pearl Oil Offshore Limited	Exploration stage	100 ¹	100 ¹

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Notes to the consolidated financial statements

16 Interest in jointly controlled assets (continued)

Contract area	Held by	Description	Group's working interest	
			2011 %	2010 %
Concession blocks in Thailand (continued)				
G11/48	Pearl Oil Bangkok Limited	Exploration stage	50	50
	Pearl Oil (G11) Limited	Exploration stage	25	25
G3/48	Pearl Oil (Aoa Thai) Limited	Exploration stage	40	40
	Pearl Oil (G3-G6) Limited	Exploration stage	20	20
G2/50	Pearl Oil (Petroleum) Limited	Exploration stage	100 ¹	100 ¹
Concession blocks in Vietnam				
07/03 PSC	Pearl Oil (Ophiolite) Limited	Exploration stage	15	15
04/02 PSC	Pearl Oil (Tephrite) Limited	Exploration stage	90	90
06/94 PSC	Pearl Oil (Nam Con Son)	Exploration stage		
	Limited formerly known as Pearl Oil (Taconite) Limited		-	33.3
135/136 PSC	Pearl Oil (Vung May) Limited	Exploration stage	20	-
Concession block in Malaysia				
Malaysia SK320	MDC Oil & Gas (SK 320) Limited	Exploration stage	75	75
	PM324	MDC Oil & Gas (PM 324) Limited	Exploration stage	20

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees

Income from investments in equity accounted investees

	2011 AED '000	2010 AED '000
Share of results of associates	1,012,205	86,526
Share of results of jointly controlled entities	1,578,643	729,527
Gain on disposal of investment in equity accounted investees	81,951	75,646
	2,672,799	891,699

(a) Investments in associates

The Group has the following significant interests in associates:

	Ownership interest %		Principal business activity
	2011	2010	
Abu Dhabi Ship Building PJSC ("ADSB")	40	40	Ship building
The John Buck Company LLC	24.9	24.9	Property ownership and integrated real estate services
Aldar Properties PJSC ("Aldar") ¹	49	19	Development, sales, investment, construction and associated services for real estate
Emirates Integrated Telecommunications Company PJSC ("Du") ²	19.8	19.8	Provision of telecommunication services
SMN Power Holding Company S.A.O.G. ³	30.9	47.5	Special purpose entity for holding power sector investments
Qatar Central Cooling Company PJSC ⁴	25	-	Construct, own, assemble, install, operate and maintain cooling and air conditioning systems, distribution and sale of chilled water for use in district cooling technologies

¹ On 16 January 2011, the Company, upon conversion by Aldar of mandatorily convertible bonds in Aldar into 303,734,868 shares, increased its stake in Aldar from 19% to 28%. Accordingly the investment in Aldar has been accounted for as an associate from the date of conversion. On 15 December 2011 the Group increased its stake in Aldar from 28% to 49% through partial conversion of existing Mandatory Convertible Bonds which resulted in allotment of an additional 1,203,499,493 shares of Aldar. The fair value of the acquisition price calculated on 15 December 2011 amounted to AED 1,095,184 thousand. The total acquisition price was allocated to the fair value of assets acquired and liabilities assumed in the amount of AED 1,703,320 thousand resulting in the income of AED 608,135 thousand which is reflected within Share of results of equity accounted investees in the consolidated statement of comprehensive income.

Subsequently the Group entered into a repurchase agreement with a financial institution for 571,918,073 Aldar shares for a value of AED 480,411 thousand. Despite the sale, the Group has retained substantial risks and rewards of ownership, and accordingly equity interest associated with shares sold are not derecognized from the Group's books. The financial institution retains 14% of voting rights associated with the purchased shares. Accordingly the Group effectively owns 35% of voting rights in Aldar as on December 2011 and continues to account for its investment in Aldar as an associate.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees (continued)

(a) Investments in associates (continued)

² Effective 1st November 2011 following its decision to increase its stake in Du which as at 31 December 2011 was at 19.78%, the Group changed its classification of the investment in shares from available for sale investment to Investment in associate. Following the decision to increase, the Group now exercises significant influence over Du. The results of operations of Du have been accounted for under the equity method of accounting since 1st November 2011. The fair value of Du as of acquisition date is deemed the carrying amount at the date of reclassification.

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

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

	AED '000
Total assets	2,112
Total liabilities	(1,094)
Net assets value	<u>1,018</u>
Goodwill	<u>1,607</u>
Carrying value at the time of acquisition	<u><u>2,625</u></u>

³ During the year, the Group has transferred the assets held by SMN Power Holding Company JAFZA (SMN JAFZA) to SMN Power Holding Company SAOC (SMN SAOC), a company existing under the laws of the Sultanate of Oman. As a part of the restructure, the Group received an interest in SMN SAOC equivalent to the interest held in SMN JAFZA. SMN SAOC was converted into a public company, SMN Power Holding Company SAOG (SMN SAOG). SMN SAOG made a public offer of 35% of its issued share capital and was listed on Muscat Securities market on 23 October 2011, with each of the initial shareholders selling 35% of its shareholding. The Group's share was reduced from 47.5%, to 30.875% as a result of public offering. The restructure and public listing satisfied obligations in accordance with an agreement entered into between the initial shareholders and the government of Oman. The Group has recognized a profit of AED 82 million in the consolidated statement of comprehensive income, on this transaction.

⁴ Became associate through acquisition of Tabreed (see note 5(a)(ii)).

The fair values of Group's investment in Du, a quoted investment that became an associate during the year, amounted to AED 2,610 million as at 31 December 2011.

The fair values of Group's investment in ADSB, a quoted investment, amounted to AED 127 million as at 31 December 2011 (2010: AED 226 million).

The fair values of Group's investment in Aldar, a quoted investment that became an associate during the year, amounted to AED 1,839,984 thousand as at 31 December 2011.

The fair values of Group's investment in SMN Power Holding Company S.A.O.G., a quoted investment, transferred from jointly controlled entities amounted to AED 213,946 thousand as at 31 December 2011.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees (continued)

(a) Investments in associates (continued)

The movements in investment in associates are set out below:

	2011 AED'000	2010 AED'000
At 1 January	411,513	305,922
Share of results for the year	1,012,205	86,526
Addition during the year	285,445	5,132
Acquisition through business combinations (see note 5)	366,172	-
Disposal during the year	-	(5,132)
Share of movements in hedging reserves	39,998	28,236
Share of movements in translation reserves	(354)	-
Transferred from Jointly controlled entities	(135,503)	-
Transferred from financial investments	5,404,314	-
Dividends received	(38,712)	(9,171)
Intercompany income eliminated	(32,935)	-
	<u>7,312,143</u>	<u>411,513</u>
Impairment ⁵	(360,042)	-
	<u>6,952,101</u>	<u>411,513</u>
At 31 December	<u>6,952,101</u>	<u>411,513</u>
Disclosed as:		
Investment in associates	6,985,883	411,513
Due to associates	(33,782)	-
	<u>6,952,101</u>	<u>411,513</u>

⁵ As part of its year end impairment assessment of its investment in associates, the Company concluded that internal and external indicators existed for decline in value of its investment in one of its associate and recognized impairment loss in the amount of AED 360,042 thousand. This was based on a value in use calculation using appropriate risk adjusted discount factor and growth rates. The loss is presented within Impairment losses in the consolidated statement of comprehensive income.

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

	2011 AED '000	2010 AED '000
Total assets	<u>60,186,952</u>	<u>3,091,621</u>
Total liabilities	<u>45,226,311</u>	<u>2,368,429</u>
Revenue	<u>18,000,521</u>	<u>1,432,652</u>
Profit	<u>1,870,363</u>	<u>224,910</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees (continued)

(b) Investments in jointly controlled entities

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

Jointly controlled entities	Domicile	Ownership interest %		Principal business activity
		2011	2010	
Algerian Utilities International Limited	UAE	49	49	Special purpose entity for holding utilities (power) sector investments
Dolphin Energy Limited ("DEL")	UAE	51	51	Procurement, distribution and marketing of hydrocarbons (natural gas)
Emirates Aluminium Company Limited PJSC ("EMAL")	UAE	50	50	Develop, construct, operate, finance and maintain aluminium smelter
Emirates Ship Investment Company LLC ("Eships")	UAE	50	50	Cargo transportation and other marine services
EMTS Holding B.V. ¹	Netherlands	30	30	Special purpose entity for holding telecom investments
Azaliya	France	49	49	Water treatment, distribution and waste water management
Advanced Military Maintenance Repair and Overhaul Center LLC (AMMROC) ²	UAE	60	60	Fully' integrated military aircraft, supply chain management, modification/upgrade, maintenance, repair and overhaul center
Torresol Energy Investment S.A.	Spain	40	40	Develop, own and operate solar power plants
Shams One Company LLC	UAE	60	60	Generation of electricity through solar power

¹ In 2010, the Group acquired an additional 15% of the shares in EMTS Holding B.V. which were beneficially held on behalf of a related party in 2009.

² In 2010, the Group entered into a joint venture agreement with two other joint venture partners for the purpose of the establishment and operation of AMMROC. The Group transferred three contracts to the joint venture at their fair value of AED 275,750 thousand and recognised 40% of the fair valuation gain attributable to other joint venture partners, amounting to AED 110,100 thousand, as gain on transfer of contracts in other income.

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees (continued)

(b) Investments in jointly controlled entities (continued)

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

	2011	2010
	AED '000	AED '000
At 1 January	5,346,468	4,502,764
Exchange fluctuation in opening balance	1,686	(1,877)
Additions during the year	615,823	2,525,633
Acquisition through business combinations (see note 5)	350,298	-
Disposals during the year	(18,582)	(6,273)
Share of results for the year	1,578,643	729,527
Dividends received during the year	(1,243,331)	(948,248)
Share of movements in translation reserves	2,603	2,314
Share of movements in hedging reserves	(308,584)	3,805
Share of movements in other reserves	80,049	-
Transfer to loans	(446,114)	(1,219,723)
Transfer upon acquisition of controlling stake	(39,964)	-
Transfer to associates	135,503	-
Exchange fluctuation	44,595	-
Intercompany income eliminated	(63,094)	(241,454)
	6,035,999	5,346,468
Impairment ³	(614,003)	(502,061)
At 31 December	5,421,996	4,844,407
Disclosed as:		
Investment in jointly controlled entities	6,212,537	5,848,288
Due to jointly controlled entities ⁴	(790,541)	(1,003,881)
	5,421,996	4,844,407

³ Impairment includes AED 465,746 thousand (2010: AED 465,746 thousand) on the Group's investment in Piaggio Aero Industries S.p.A and AED 148,257 thousand (2010: AED 36,315 thousand) on investments in other jointly controlled entities.

⁴ In certain jointly controlled entities the Group's share of losses of those entities has exceeded its interest in those entities. The shares of losses exceeding the Group's interests in such entities have been presented within current liabilities in the consolidated statement of financial position, since the Group has a constructive or legal obligation to contribute to such losses.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

17 Investments in equity accounted investees (continued)

(b) Investments in jointly controlled entities (continued)

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

	2011 AED '000	2010 AED '000
Current Assets	<u>17,869,698</u>	<u>17,797,145</u>
Non Current Assets	<u>24,709,350</u>	<u>23,613,652</u>
Current Liabilities	<u>22,244,857</u>	<u>19,230,795</u>
Non Current Liabilities	<u>15,016,207</u>	<u>16,203,110</u>
Income	<u>14,003,045</u>	<u>8,832,726</u>
Expenses	<u>12,327,091</u>	<u>8,380,065</u>

18 Financial investments

	2011 AED '000	2010 AED '000
Financial assets at fair value through profit or loss		
- quoted securities	8,228,122	8,065,170
- funds	2,274,006	1,792,683
- convertible bonds issued by related parties ¹	470,914	2,488,148
- other bonds	1,108,595	1,873,018
- investments held for trading	46,506	49,086
- derivative assets	94,739	121,920
	<u>12,222,882</u>	<u>14,390,025</u>
Available for sale financial assets		
- quoted securities	2,914,111	5,696,088
- unquoted securities ²	4,492,870	4,389,731
	<u>7,406,981</u>	<u>10,085,819</u>
At 31 December	<u>19,629,863</u>	<u>24,475,844</u>
Disclosed in the statement of financial position as:		
Less: current portion	<u>(1,453,996)</u>	<u>(204,812)</u>
Non-current portion	<u>18,175,867</u>	<u>24,271,032</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

18 Financial investments (continued)

a) Financial assets at fair value through profit or loss

This represents the Group's investments in funds, derivatives, bonds, quoted equity securities and convertible bonds issued by related parties. During the year total additions amounting to AED 5,032,087 thousand (2010: AED 4,115,522 thousand) have been made and an amount of AED 2,491,659 thousand (2010: AED 847,295 thousand increase in fair value) representing a decrease in the fair value has been recorded in profit or loss (see note 11).

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

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

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

¹ Convertible bonds issued by related parties primarily comprise mandatory convertible bonds acquired in the year 2011, carrying interest rates ranging from 0% to 4% and maturing in the year 2013-2014. These are convertible only at maturity date at a predetermined conversion rate unless called by the issuers. Conversion rates are adjusted in case new shares are issued or bonus shares are declared. Such bonds are not transferable without the prior approval of the issuer. Upon conversion shares are restricted from being sold in the market for a certain time and/or exceeding certain quantities. In the prior year, convertible bonds include mandatorily convertible bonds acquired in the year 2008, carrying interest rates ranging from 0% to 6.11%, which matured in the year 2011.

b) Available for sale financial assets

i) Quoted securities

During the year the Group invested AED 3,371 thousand (2010: AED 197,304 thousand) in quoted securities classified as available for sale. There was a net decrease of AED 646,351 thousand (2010: net decrease of AED 1,550,590 thousand) in the fair value of quoted securities during the year, of which AED 547,792 thousand was recorded as a decrease (2010: AED 1,323,317 thousand decrease) in the fair value reserve in other comprehensive income and impairment losses of AED 98,559 thousand (2010: AED 227,273 thousand) were recorded in profit or loss (see note 11). Furthermore, quoted securities include AED 545,990 thousand (2010: AED nil) issued by an entity under common control.

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

ii) Unquoted securities

Unquoted securities are carried at cost less impairment, since no reliable measure of fair value is available. There was a net decrease of AED 461 thousand (2010: net decrease of AED 77,867 thousand due to disposal of an investment) in the carrying value of unquoted securities due to exchange loss recognised in other comprehensive income during the year.

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Notes to the consolidated financial statements

18 Financial investments (continued)

b) Available for sale financial assets (continued)

ii) Unquoted securities (continued)

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

² Included above, there is an unquoted equity investment in an asset management firm made by the Group. Being unquoted, there is no reliable estimate of the fair value of the entire investment. Therefore, it is measured at cost less impairment. In assessing the impairment on this unquoted investment, a risk adjusted discount factor of 12.6% (31 December 2010: 13.8%) was used. If the inputs to the valuation model of the unquoted investment were 10% higher or lower while all the other variables were held constant, the carrying amount of the shares would decrease by AED 44,069 thousand (31 December 2010: AED 44,603 thousand) or increase by AED 47,125 thousand (31 December 2010: AED 47,555 thousand).

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

In assessing the impairment on this unquoted investment, assumptions used are risk adjusted discount factors 7.2% (2010: from 7.2% to 7.5%), exit cap rates from 5.6% to 5.9% (2010: from 5.8% to 6.2%), and rent growth rates from 4.5% to 4.8% (2010: 4.5% to 4.8%) were used. This instrument was reported as 'other assets' in the prior years and has been reclassified to 'financial investments' to provide a more consistent presentation with other financial investments of the Group (see note 40).

19 Loans receivable

	2011 AED '000	2010 AED '000
Loans to jointly controlled entities	6,143,738	5,074,892
Loans to associates	101,296	-
Loan to an entity under common control	-	1,293,145
	<hr/>	<hr/>
Loans to related parties	6,245,034	6,368,037
Loans to third parties	8,318,797	5,205,093
	<hr/>	<hr/>
	14,563,831	11,573,130
Less: current portion	(2,475,837)	(718,160)
	<hr/>	<hr/>
Non-current portion	12,087,994	10,854,970

Loans given to third parties mentioned above are disclosed net of provision amounting to AED 45,917 thousand (2010: AED nil). There is no provision on loans given to related parties.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

19 Loans receivable (continued)

Loans to related parties

The significant loans to related parties include the following:

Loans given to a joint venture, in the amount of AED 1,750,176 thousand (2010: AED 1,635,417 thousand) and AED 284,597 thousand (2010: AED nil), which carry interest at LIBOR plus margin and is repayable on demand.

Loans given to a joint venture, in the amount of AED 1,933,192 thousand (2010: AED 1,666,723 thousand), AED 503,882 thousand (2010: AED 453,723 thousand), and AED 483,287 thousand (2010: AED 418,009 thousand) which carry fixed interest and mature in 2014, 2017 and 2014 respectively.

Loans given to a joint venture, in the amount of AED 178,356 thousand (2010: AED 178,429 thousand) and AED 111,943 thousand (2010: AED nil), which carry interest at EIBOR plus margin and fixed interest respectively and mature in 2013 and 2012 respectively.

Loans given to a joint venture, in the amount of AED 414,894 thousand (2010: AED 108,162 thousand) which carry interest at LIBOR plus margin and fixed interest and these loans mature in from 2012 to 2015.

Loans to third parties

The significant loans to third parties include the following:

Loans given to third parties include commercial loans amounting to AED 6,206,541 thousand (2010: AED 3,499,269 thousand), which carry interest at varying rates and having different maturities. The Group holds collateral against commercial loans in the form of security interests over physical assets, corporate and personal guarantees.

Loan given to a third party, in the amount of AED 805,735 thousand (2010: AED 694,474 thousand), which carries fixed interest and mature in 2014.

Loan given to a third party, in the amount of AED 470,000 thousand (2010: AED 470,000 thousand), which is interest free loan and is repayable on demand. This loan is secured against bank guarantee.

Loan given to a third party, in the amount of AED 761,286 thousand (2010: AED 550,133 thousand), which carries fixed interest and mature in 2012. This loan is secured against equity securities.

20 Inventories

	2011 AED '000	2010 AED '000
Land held for sale (see note 34(a)(i))	2,556,813	2,838,141
Work in progress ¹	1,913,990	-
Inventory under development	1,072,598	-
Consumables	474,838	421,729
Maintenance spares	429,039	366,402
Drilling materials	340,452	299,407
Raw material	120,985	19,365
Medical supplies	32,969	19,879
Others	198,689	91,920
	7,140,373	4,056,843
Less: provision for obsolescence	(756,889)	(241,881)
	6,383,484	3,814,962

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Notes to the consolidated financial statements

20 Inventories (continued)

¹ Work in progress arose on acquisition of ATIC, a subsidiary transferred to the Group during the year (see note 5(a)(i)).

21 Receivables and prepayments

	2011 AED '000	2010 AED '000
<i>Non-current portion</i>		
Service concession receivables ¹	7,059,891	6,705,394
Restricted cash ² (see note 31)	750,000	-
Receivable against sale of land ³	371,521	467,903
Other long term receivables and advances	725,878	1,728,990
	8,907,290	8,902,287
<i>Current portion</i>		
Trade receivables	4,225,264	1,761,308
Amounts due from related parties ⁴ (see note 31)	3,931,592	1,726,957
Receivable against government grants	1,208,086	-
Service concession receivables ¹	971,184	636,133
Prepaid expenses	758,908	367,194
Advances to contractors	598,350	1,143,900
Contract work in progress	541,677	457,682
Sales tax recoverable	488,056	155,103
Restricted cash	311,675	35,000
Receivable against sale of land ³	96,383	225,108
Receivable against disposal of available for sale investment	-	595,638
Other receivables	1,940,046	859,660
	15,071,221	7,963,683
Less: allowance for impairment	(201,058)	(235,479)
	14,870,163	7,728,204

¹Service concession receivables primarily represent receivables from related parties, on account of services relating to the construction of buildings for certain universities and facility management services. Service concession receivables will be recovered over the respective concession periods of the universities (see note 38). Details of the same are set out below:

	2011 AED '000	2010 AED '000
Opening balance	7,341,527	4,033,898
Costs incurred during the year	488,977	2,767,966
Attributable profits	263,255	657,881
Effective interest on receivables	598,635	373,347
Less: availability charges received	(658,661)	(485,308)
Less: transferred to intangible assets	(2,658)	(6,257)
	8,031,075	7,341,527

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Notes to the consolidated financial statements

21 Receivables and prepayments (continued)

	2011 AED '000	2010 AED '000
Non-current portion	7,059,891	6,705,394
Current portion	971,184	636,133
	8,031,075	7,341,527

² Represents balance held with an entity under common control.

³ Includes AED nil (2010: AED 205,119 thousand) receivable from related parties.

⁴ Amounts due from related parties are as follows:

	2011 AED '000	2010 AED '000
Shareholder	2,350,225	387,775
Entities under common control	757,648	564,072
Jointly controlled entities	413,918	762,744
Associates	409,801	12,366
	3,931,592	1,726,957

22 Finance lease receivables

During the period, the acquisition of additional equity stake in Tabreed (see note 5(a)(ii)) resulted primarily in the recognition of finance lease receivables in the books of the Group. These represent lease receivables against commissioning of distribution network and related plants.

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

	2011 AED '000	2010 AED '000
Acquisition through business combination	1,082,228	-
Transfers from capital work in progress during the period	435,000	-
Finance lease income	80,672	-
Lease rentals received during the period	(63,753)	-
At 31 December	1,534,147	-

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Notes to the consolidated financial statements

22 Finance lease receivables (continued)

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

	2011		2010	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	AED '000	AED '000	AED '000	AED '000
Within one year	110,676	105,582	-	-
After one year but not more than five years	501,327	393,034	-	-
After five years	3,405,739	1,035,531	-	-
Total	4,017,742	1,534,147	-	-
Less: amount representing finance charges	(2,483,595)	-	-	-
Present value of minimum lease payments	<u>1,534,147</u>	<u>1,534,147</u>	<u>-</u>	<u>-</u>

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

	2011	2010
	AED '000	AED '000
Current	105,582	-
Non-current	1,428,565	-
	<u>1,534,147</u>	<u>-</u>

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

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

23 Cash and cash equivalents

	2011	2010
	AED '000	AED '000
Bank balances:		
- deposit accounts	10,720,945	4,194,464
- call and current accounts	3,806,474	2,064,265
Cash in hand	1,834	10,608
	<u>14,529,253</u>	<u>6,269,337</u>
Bank overdrafts	(5,165)	(7,447)
Cash and cash equivalents for the purpose of the statement of cash flows	<u>14,524,088</u>	<u>6,261,890</u>

Deposit and call accounts are placed with commercial banks and are short-term in nature. Deposit and call accounts earn interest at prevailing market rates. Deposit accounts include AED 1,147,279 thousand (2010: AED 633,189 thousand) held with entities under common control. The Group's exposure to credit, currency and interest rate risk related to cash and cash equivalents is disclosed in note 36.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

24 Payables and accruals

	2011 AED '000	2010 AED '000
Trade payables	5,626,940	2,552,939
Accrued expenses	3,580,268	2,642,240
Other payables	3,326,808	795,998
Deposit from the Shareholder ¹	665,646	357,112
Amounts due to related parties ²	511,621	143,260
Provisions	468,693	217,713
Retentions payable	467,214	286,528
Interest payable to third party	448,993	125,058
Staff costs payable	445,130	81,230
Advance from an associate (see note 31)	400,000	-
Interest free loan from the Shareholder ³	372,260	372,260
Provision for staff terminal benefits	304,677	289,586
	16,618,250	7,863,924

¹ Deposit from the Shareholder has original maturity of less than three months and at the reporting date carried an annual effective interest rate of 1.51% per annum (2010: 1.90% per annum).

² Amounts due to related parties are as follows:

	2011 AED '000	2010 AED '000
Entities under common control	265,018	113,473
Jointly controlled entities	246,603	29,787
	511,621	143,260

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

The Group's exposure to currency, liquidity and interest rate risk related to payables and accruals is disclosed in note 36.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

25 Financial liabilities at fair value

	2011 AED '000	2010 AED '000
<i>Non-current portion</i>		
<i>Derivatives</i>		
Derivatives that are designated and effective as hedging instruments carried at fair value ¹		
- interest rate swaps	598,075	410,861
Financial liabilities carried at fair value through profit or loss ²		
- interest rate swaps	798,342	310,981
- foreign exchange forward contracts	644	1,220
	1,397,061	723,062
<i>Current portion</i>		
<i>Derivatives</i>		
Derivatives that are designated and effective as hedging instruments carried at fair value ¹		
- interest rate swaps	153,453	70,823
- foreign exchange forward contracts	93,934	-
	247,387	70,823
Financial liabilities carried at fair value through profit or loss ²		
- interest rate swaps	25,112	-
- foreign exchange forward contracts	62,193	16,246
- equity options	41,726	33,987
- equity swaps	3,244	81,238
	132,275	131,471
<i>Other financial liabilities</i>		
Exchange traded securities ³	89,648	-
	469,310	202,294

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

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

Foreign exchange forward contract

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

25 Financial liabilities at fair value (continued)

Interest rate swap

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

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

³ The Group sells securities that it does not own and therefore, it will be obliged to purchase such securities at a future date. When the Group sells a security short, an amount equal to the proceeds received is recorded as a liability and is subsequently adjusted to the current market value of the securities sold short. Upon the closing of the short position, the difference between the proceeds originally received and the cost of the securities purchased to close the short position is recognised as a realised gain or loss. This is disclosed on the statement of financial position in liabilities under financial liabilities at fair value through profit or loss. These positions are shown as financial liabilities at fair value through profit or loss until they are realised, when they are shown in the statement of comprehensive income as net gain or loss on financial liabilities at fair value through profit or loss. The theoretical risk of loss from short sales is unlimited.

26 Interest bearing borrowings

	2011 AED '000	2010 AED '000
Unsecured bank borrowings	3,769,217	1,313,031
Unsecured corporate bonds	-	71,086
Secured bank borrowing	698,891	205,920
Unsecured borrowing	565,180	378,010
Others	20,015	-
Current portion	5,053,303	1,968,047
Secured bank borrowings	13,748,797	8,033,785
Unsecured bank borrowings	10,447,177	9,638,788
Unsecured corporate bonds	11,843,945	6,373,971
Unsecured borrowings	761,229	924,473
Others	1,323,009	-
Non-current portion	38,124,157	24,971,017

Mubadala Development Company PJSC

Notes to the consolidated financial statements

26 Interest bearing borrowings (continued)

Terms and debt repayment schedule

Particulars	Entity name / Project name	Currency	Nominal interest rate	Year of maturity	31 Dec 2011	31 Dec 2010
					Carrying amount AED '000	Carrying amount AED '000
Current						
Secured bank loan ²	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2012	96,559	91,280
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2012	46,479	49,111
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2012	15,493	16,370
Secured bank loan ²	Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2012	49,923	-
Secured bank loan ²	Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2012	91,382	-
Secured bank loan ⁸	National Central District Cooling Company PJSC- Tabreed Islamic Finance	AED	EIBOR + margin	2012	11,110	-
Secured bank loan ⁸	National Central District Cooling Company PJSC	USD / AED	LIBOR/EIBOR + margin	2012	72,810	-
Secured bank loan ¹	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2012	30,000	30,000
Secured bank loan ⁴	SR Technics	CHF/EUR/USD	LIBOR + margin	2012	235,194	-
Secured bank loan ⁹	Sanad Aero Limited	USD	LIBOR + margin	2012	37,053	-
Secured bank loan ¹	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2012	12,888	19,159
Unsecured bank loan	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2012	19,245	55,099
Unsecured bank loan	Beta Investment Company LLC (Pearl)	USD	LIBOR + margin	2012	255,532	507,014
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2012	4,234	4,170
Unsecured bank loan ⁵	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed	2012	446,275	619,280
Unsecured bank loan	MDC - GMTN B.V. - Commercial Paper 2011	USD/GBP/HKD	Fixed coupon	2012	625,776	127,468
Unsecured bank loan	Mubadala Corporate EUR Term Loan	EUR	EURIBOR + margin	2012	1,174,749	-
Unsecured bank loan	Mubadala - Corporate revolver	GBP	LIBOR + margin	2012	170,253	-
Unsecured bank loan	Al Yhsat Communications Company PJSC	USD	LIBOR + margin	2012	122,681	-
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2012	216,736	-
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2012	426,319	-
Unsecured bank loan	ATIC - Societe Generale term loan	USD	LIBOR + margin	2012	87,415	-
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche B)	USD	LIBOR + margin	2012	109,127	-
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche A)	USD	Fixed coupon	2012	110,875	-
Unsecured loan ⁵	Abu Dhabi Aircraft Technologies LLC	USD	Fixed coupon	2012	565,180	378,010
Unsecured deposits	Abu Dhabi Finance	AED	EIBOR + margin	2012	20,015	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2011	SGD	Fixed coupon	2011	-	71,086
Current total					5,053,303	1,968,047

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Notes to the consolidated financial statements

26 Interest bearing borrowings (continued)

Terms and debt repayment schedule (continued)

Particulars	Entity name / Project name	Currency	Nominal interest rate	Year of maturity	31 Dec 2011	31 Dec 2010
					Carrying amount AED '000	Carrying amount AED '000
<i>Non-Current</i>						
Secured bank loan ²	Al Hikma Development Company PJSC (UAE University)	USD	LIBOR + margin	2022	1,227,518	1,322,571
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	USD	LIBOR + margin	2028	767,524	811,816
Secured bank loan ²	Manhal Development Company PJSC (Sorbonne University)	AED	EIBOR + margin	2028	255,841	270,606
Secured bank loan ²	Al Maqsed Development Company PJSC (Zayed University)	USD	LIBOR + margin	2019	1,213,120	982,173
Secured bank loan ²	Al Maqsed Development Company PJSC (Zayed University)	AED	EIBOR + margin	2019	2,220,562	1,797,825
Secured bank loan ³	Sigma Investment Company (BVI) (PTC) Limited (GE margin loan)	USD	LIBOR + margin	2013	1,332,890	1,326,541
Secured bank loan ⁴	SR Technics	CHF/EUR/USD	LIBOR + margin	2015	883,832	1,401,926
Secured bank loan ⁹	Sanad Aero Limited	USD	LIBOR + margin	2023	412,722	-
Secured bank loan ⁷	ATIC - Syndicated loan	USD	LIBOR + margin	2015	2,204,100	-
Secured bank loan ⁸	National Central District Cooling Company PJSC- Tabreed Islamic Finance	AED	EIBOR + margin	2019	527,096	-
Secured bank loan ⁸	National Central District Cooling Company PJSC	USD / AED	LIBOR/EIBOR + margin	2013 - 2019	2,110,921	-
Secured bank loan ⁶	Mubadala Development Company PJSC	AED	Fixed coupon	2012	472,412	-
Secured bank loan ¹	Abu Dhabi Aircraft Technologies LLC	AED	EIBOR + margin	2016	120,259	120,327
Unsecured notes	ATIC - Senior notes	USD	Fixed coupon	2013	965,400	-
Unsecured notes	ATIC - Senior notes	USD	Fixed coupon	2015	357,609	-
Unsecured bank loan	Abu Dhabi Aircraft Technologies LLC	USD	LIBOR + margin	2013	6,314	19,272
Unsecured bank loan	Al Yah Satellite Communications Company PJSC	USD	LIBOR + margin	2022	3,183,703	2,574,544
Unsecured bank loan	Beta Investment Company LLC (Pearl)	USD	LIBOR + margin	2012	-	255,532
Unsecured bank loan	Mubadala Corporate EUR Term Loan	EUR	EURIBOR + margin	2012	-	2,393,343
Unsecured bank loan	The Specialist Diabetes Treatment and Research Centre LLC	AED	Fixed coupon	2020	32,375	35,033
Unsecured bank loan ⁵	Dolphin Investment Company LLC	USD	LIBOR + margin / Fixed coupon	2019	2,770,361	3,216,574
Unsecured bank loan	Treasury Holding Company LLC - EIB term loan	EUR	EURIBOR + margin	2019	1,118,368	1,144,490
Unsecured bank loan	MDC - GMTN B.V. - JPY Private Placement	JPY	Fixed coupon	2031	708,244	-
Unsecured bank loan	GMTN BV EUR Private Placement	EUR	Fixed coupon	2018	378,748	-
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2013	108,248	-
Unsecured bank loan	ATIC - EXIM guaranteed loan	USD	LIBOR + margin	2017	1,390,165	-
Unsecured bank loan	ATIC - Societe Generale term loan	USD	LIBOR + margin	2013	87,939	-
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche B)	USD	LIBOR + margin	2015	329,371	-
Unsecured bank loan	ATIC - JBIC / SMBC term loan (Tranche A)	USD	Fixed coupon	2015	333,341	-
Unsecured loan ⁵	Abu Dhabi Aircraft Technologies LLC	USD	Fixed coupon	2012	-	374,340
Unsecured loan	SR Technics	EUR	Fixed coupon + variable component	2019	761,229	550,133
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2014	USD	Fixed coupon	2014	4,563,264	4,549,947
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2016	USD	Fixed coupon	2016	2,724,873	-
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2019	USD	Fixed coupon	2019	1,821,604	1,824,024
Unsecured corporate bond	MDC - GMTN B.V. - Corporate Bond 2021	USD	Fixed coupon	2021	2,734,204	-
<i>Non-Current total</i>					38,124,157	24,971,017
<i>Total</i>					43,177,460	26,939,064

Mubadala Development Company PJSC

Notes to the consolidated financial statements

26 Interest bearing borrowings (continued)

¹ Secured bank loan represents term loans which are secured against lien on bank deposits of AED 60 million.

² The purpose of these loans is to fund university projects (refer note 38). The loans are secured against the following onshore and offshore securities:

Onshore securities

- Commercial mortgages over their equipment to the extent possible and enforceable under the United Arab Emirates law including all existing and subsequently acquired tangible and intangible assets.
- A UAE law assignment agreement covering:
 - i) the Project Documents consisting of Operating Agreement, Project Agreement, Tripartite Agreement, Musataha Agreement, Advance Payment Bond and Performance Bond; and
 - ii) Direct Insurance policies consisting of combined Construction/Property All Risk Policy and Terrorism Policy and all insurance proceeds in respect of direct insurances.
- Pledge of shares.
- Powers of attorneys.
- An onshore account pledge of monies and any authorised investments held in the Onshore Project Accounts (as defined in the Onshore Account Pledge).
- A mortgage over the Musataha Agreement.

Offshore Securities

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

³ The loan is secured by a pledge of GE shares held by the Group with a carrying value of AED 1,327,603 thousand.

⁴ The loans are secured by pledged assets including bank accounts of AED 169,413 thousand (2010: AED 291,265 thousand) and trade receivables of AED 690,264 thousand (2010: AED 621,854 thousand) of SR Technics Holdco 1 GMBH and its subsidiaries ("the SRT Group"). Furthermore, shares of the SRT Group are also pledged against this loan. Pledged property plant and equipment is disclosed in note 13.

⁵ These represent loans obtained from related parties.

⁶ The loan matures in 2012 but the Group has the right to extend it until 2013. Hence the loan is classified as non-current. This loan is secured against pledge of an associate company of the Group. The pledged shares have a carrying value of AED 526,165 thousand.

⁷ This loan is drawn from a consortium of banks and is secured by a pledge of ordinary shares of a subsidiary company, with a carrying value of AED 4,376,000 thousand.

⁸ These loans are secured by pledges of plants, equipment (see note 13) and trade debtors.

⁹ This loan is secured by aircraft engines, with a carrying value of AED 598,780 thousand.

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Notes to the consolidated financial statements

27 Other liabilities

	2011 AED '000	2010 AED '000
Advances from a related party	1,068,988	1,068,988
Asset retirement obligation	124,168	-
Interest free loan from the Shareholder ¹	117,281	117,281
Retentions payable	35	54,480
Decommissioning liabilities	276,089	315,379
Others	674,913	257,375
	2,261,474	1,813,503

¹ See note 24 for interest free loan details.

28 Obligation under finance lease

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

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

	31 Dec 2011		31 Dec 2010	
	Minimum lease payments AED '000	Present value of payments AED '000	Minimum lease payments AED '000	Present value of payments AED '000
	Within one year	283,514	147,635	-
After one year but not more than five years	1,121,705	734,209	-	-
After five years	801,735	639,171	-	-
Total	2,206,954	1,521,015	-	-
Less: amount representing finance charges	(685,939)	-	-	-
Present value of minimum lease payments	1,521,015	1,521,015	-	-

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

	2011 AED '000	2010 AED '000
Current	147,635	-
Non-current	1,373,380	-
	1,521,015	-

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

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Notes to the consolidated financial statements

29 Share capital

	2011	2010
	AED '000	AED '000
<i>Authorised, issued and fully paid up:</i>		
15,000,000 equity shares (2010: 15,000,000 equity shares)		
of AED 1,000 each	<u>15,000,000</u>	<u>15,000,000</u>

30 Reserves

Statutory reserve

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

Fair value reserve

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

Foreign currency translation reserve

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

Hedging reserve

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

31 Significant transactions with related parties

(a) Identity of related parties

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

(b) Transactions with key management

Key management personnel compensation is	2011	2010
	AED '000	AED '000
Directors' remuneration	<u>39,874</u>	<u>20,908</u>
Short term benefits	135,522	92,121
Post employment benefits	10,160	7,789
	<u>145,682</u>	<u>99,910</u>

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Notes to the consolidated financial statements

31 Significant transactions with related parties (continued)

(c) Other related party transactions

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

Significant transactions with related parties in addition to transfer of a subsidiary from the Shareholder (see note 5(a)(i)), during the year were as follows:

	2011 AED '000	2010 AED '000
Revenue		
Shareholder	240,018	385,281
Entities under common control	1,526,889	3,434,726
Jointly controlled entities	856,832	1,400,441
Associates	106,908	-
	<u>2,730,647</u>	<u>5,220,448</u>
Interest income		
Shareholder	132,154	91,419
Entities under common control	480,213	459,315
Jointly controlled entities	345,411	571,714
Associates	69,522	-
	<u>1,027,300</u>	<u>1,122,448</u>
Income from provision of manpower, project management and consultancy services		
Shareholder	-	6,773
Entities under common control	27,591	49,537
Jointly controlled entities	72,568	221,604
Associates	21,999	-
	<u>122,158</u>	<u>277,914</u>
Purchase of goods and services¹		
Shareholder	-	33,075
Entities under common control	603,508	170,754
Jointly controlled entities	961,666	715,497
Associates	667,381	156,495
	<u>2,232,555</u>	<u>1,075,821</u>
Interest bearing borrowing repaid		
Jointly controlled entities ²	<u>822,046</u>	<u>576,861</u>
Interest bearing borrowing drawn		
Entity under common control	<u>472,412</u>	<u>-</u>

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Notes to the consolidated financial statements

31 Significant transactions with related parties (continued)

(c) Other related party transactions (continued)

	2011 AED '000	2010 AED '000
Loans given		
Jointly controlled entities	949,351	4,676,534
Associates	52,449	-
	<u>1,001,800</u>	<u>4,676,534</u>
Loans recovered		
Jointly controlled entities	229,654	-
Entities under common control	-	1,198,469
	<u>229,654</u>	<u>1,198,469</u>
Investment in convertible bond		
Associate	<u>2,800,000</u>	<u>-</u>
Consideration for sale of interest in a jointly controlled entity		
Jointly controlled entity	<u>-</u>	<u>81,919</u>
Restricted cash		
Entity under common control (see note 21)	<u>750,000</u>	<u>-</u>
Loans given		
Entities under common control	<u>-</u>	<u>2,360,195</u>
Deposit received		
Shareholder	309,953	-
Jointly controlled entity	-	752,350
	<u>309,953</u>	<u>752,350</u>
Advance received		
Associate (see note 24)	<u>400,000</u>	<u>-</u>

¹ Purchase of goods and services include advance against property under development, amounting to AED 680,906 thousand, given during the year.

² The balances against these loans are included in interest bearing borrowings (see note 26).

(d) Amounts due from related parties (see note 21)

Amounts due from related parties primarily comprise amounts recoverable from the Government of Abu Dhabi and entities under common control for expenses incurred on their behalf.

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Notes to the consolidated financial statements

31 Significant transactions with related parties *(continued)*

(e) Additional shareholder contributions

	2011 AED '000	2010 AED '000
As at 1 January	45,725,643	42,211,064
Cash contributions ¹	27,983,478	13,000,000
Conversion to share capital ²	-	(9,485,421)
Contribution arising from transfer of ATIC <i>(see note 5(a)(i))</i>	20,793,409	-
As at 31 December	<u>94,502,530</u>	<u>45,725,643</u>

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

² During 2010, the Shareholder approved an increase in the share capital of the Company to AED 15,000,000 thousand, by converting additional shareholder contributions amounting to AED 9,485,421 thousand, received by the Group in previous years.

32 Commitments and contingent liabilities

Commitments and contingencies

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

	2011 AED '000	2010 AED '000
Capital commitments	19,825,303	30,013,483
Contingent liabilities ¹	18,558,044	19,296,480
	<u>38,383,347</u>	<u>49,309,963</u>

¹ Contingent liabilities include bank guarantees, performance bonds, advance payment bonds, completion guarantees and counter guarantees.

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

	2011 AED '000	2010 AED '000
Commitments and contingencies	<u>7,019,368</u>	<u>7,107,516</u>

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Notes to the consolidated financial statements

32 Commitments and contingent liabilities (continued)

Exploration commitments

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

	2011 AED '000	2010 AED '000
Due in less than one year	781,737	400,323
Later than one year but not later than five years	719,276	794,939
At 31 December	1,501,013	1,195,262

A subsidiary of the Group has production bonus commitments that range from AED 108,730 thousand (2010: AED 113,333 thousand) to AED 404,450 thousand (2010: AED 426,490 thousand) which may be payable depending upon achievement of certain preset production targets. The management believes that such commitments are not likely to be payable within one year. Due to uncertainty of the future production levels and future reserve discoveries, it is not possible to estimate production bonus that may be payable after one year.

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

	2011 AED '000	2010 AED '000
Within one year	329,097	335,754
After one year but not more than five years	723,906	536,970
After five years	909,030	711,658
Total	1,962,033	1,584,382

33 Income tax

	2011 AED '000	2010 AED '000
Income tax recognised in profit or loss:		
<i>Current tax</i>		
On profit of the year	(426,959)	(265,599)
Adjustment in respect of prior years current tax	(49,320)	12,670
	(476,279)	(252,929)
<i>Deferred tax</i>		
Origination and reversal of temporary differences	237,582	(22,396)
Effect of change in accounting policy for exploration and evaluation costs	-	(31,379)
Recognition of previously unrecognised tax losses	334,267	-
Deferred tax adjustment on depreciation, depletion and amortisation	113,989	-
Deferred tax effect for impairment losses	-	138,557
Others	(13,343)	-
	672,495	84,782
Income tax credit / (expense) recognised in statement of comprehensive income	196,216	(168,147)

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Notes to the consolidated financial statements

33 Income tax (continued)

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

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

	2011 AED '000	2010 AED '000
(Loss) / profit before tax from continuing operations	<u>(4,719,628)</u>	<u>1,295,903</u>
Income tax expense calculated at domestic tax rate	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(99,152)	76,587
Effect of income that is exempt from taxation	122,801	80,078
Effect of expenses that are not deductible in determining taxable profit	(639,354)	(405,354)
Effect of unused tax losses and tax offsets not recognised as deferred tax assets	(111,699)	(210,010)
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	615,104	(83,462)
Others	357,836	361,344
	<u>245,536</u>	<u>(180,817)</u>
Adjustments recognised in the current year in relation to the current tax of prior years	(49,320)	12,670
	<u>196,216</u>	<u>(168,147)</u>
Current tax liabilities:		
	2011 AED '000	2010 AED '000
Income tax payable	<u>496,500</u>	<u>301,805</u>
Deferred income tax assets and liabilities:		
	2011 AED '000	2010 AED '000
Deferred tax assets - non-current	1,088,087	78,077
Deferred tax liabilities - non-current	(1,583,311)	(1,100,758)
Net	<u>(495,224)</u>	<u>(1,022,681)</u>

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Notes to the consolidated financial statements

33 Income tax (continued)

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

	2011	2010
	AED '000	AED '000
At 1 January	(1,022,681)	(1,136,667)
Effect of change in accounting policy for exploration and evaluation costs	-	14,228
Restated balance as at 1 January	(1,022,681)	(1,122,439)
Fair value adjustments arising from business combination (see note 5(a)(i))	(158,005)	-
Charge to profit or loss	672,495	(22,396)
Disposal of subsidiaries and working interest (see note 5(b)(i)&(ii))	-	74,175
Effect of change in accounting policy for exploration and evaluation costs	-	(31,379)
Deferred tax (credits) / debits for impairment losses / reversals	-	138,557
Foreign currency adjustments	10,038	(59,199)
Recognised in other comprehensive income	2,929	-
Net	(495,224)	(1,022,681)

Subject to the agreement of the relevant tax authorities, the Group's unrecognised tax losses, investment allowances or unrecovered cost pools in various jurisdictions as at 31 December 2011 amounted to AED 13,430,467 thousand (2010: AED 4,390,187 thousand) and are available for offset against future taxable income. The decision to recognise deferred tax assets was due to sufficient evidence to support the realisation of those benefits based upon anticipated future taxable income levels. These losses, allowances and cost pools have expiry ranging from 2 years to unlimited carry forward period. The Group has not recognised a deferred tax of AED 1,914,684 thousand (2010: AED 264,125 thousand) in relation to these losses as it is not probable that these losses will be utilised.

The Group's effective tax rate is 4.2% (2010: 3.5%).

Deferred tax liabilities in certain jurisdictions are primarily in respect of the excess of the carrying amount over the tax written down value of property, plant and equipment and intangible assets.

The Group has entered into various exploration and production sharing agreements. These agreements prescribe that any income tax liability of the Group will be discharged by the governments of the countries in which the agreements are executed. As there will be no cash outflow in relation to taxation, the Group does not recognise any income, expense, tax asset or liability for either current or deferred taxation in relation to these operations.

At 31 December 2011, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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Notes to the consolidated financial statements

33 Income tax (continued)

Recognised deferred tax assets and liabilities are attributable to:

	Assets		Liabilities		Net	
	2011 AED '000	2010 AED '000	2011 AED '000	2010 AED '000	2011 AED '000	2010 AED '000
Property, plant and equipment	100,298	-	(1,127,191)	(297,970)	(1,026,893)	(297,970)
Intangible assets	-	-	(623,903)	(670,178)	(623,903)	(670,178)
Fair value through profit or loss investments	-	-	(2,189)	-	(2,189)	-
Derivatives	-	-	(5,831)	-	(5,831)	-
Other assets	125,446	-	(62,684)	(52,407)	62,762	(52,407)
Other liabilities	878	-	(63,243)	(80,203)	(62,365)	(80,203)
Payables and accruals	241,856	-	-	-	241,856	-
Tax losses recognised	751,176	78,077	6,259	-	757,435	78,077
Others	227,360	-	(63,456)	-	163,904	-
Tax assets / liabilities	1,447,014	78,077	(1,942,238)	(1,100,758)	(495,224)	(1,022,681)

Income tax recognised in other comprehensive income:

	2011			2010		
	Before tax AED '000	Tax (expense) / credit AED '000	Net of tax AED '000	Before tax AED '000	Tax (expense) / credit AED '000	Net of tax AED '000
Net change in fair value of available-for-sale financial assets	(548,253)	-	(548,253)	(1,401,184)	-	(1,401,184)
Effective portion of changes in fair values of cash flow hedges and other reserves	(92,578)	2,929	(89,649)	(265,495)	-	(265,495)
Net change in translation reserve	(2,802)	-	(2,802)	189,746	-	189,746
Share of effective portion of changes in fair values of hedging instruments of equity accounted investees	(268,586)	-	(268,586)	32,041	-	32,041
Share of movements in translation reserve of equity accounted investees	2,249	-	2,249	2,314	-	2,314
	(909,970)	2,929	(907,041)	(1,442,578)	-	(1,442,578)

Mubadala Development Company PJSC

Notes to the consolidated financial statements

34 Government grants

(a) Non-monetary government grants

(i) Land

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

Land identification	Granted in year	Approximate area in square feet ⁹	Carrying amount as at 31 Dec 2011 AED '000	Carrying amount as at 31 Dec 2010 AED '000	Currently classified as ⁸
Future economic benefits certain					
Madinat Zayed ¹	2008	143,111,825	-	-	PPE
Arzanah land	2006	13,302,119	1,944,109	1,946,050	Inventory
Arzanah Medical Complex	2006	179,486	-	-	PPE
Military City	2009	12,242,393	-	-	PPE
Sowwah Island - Abu Dhabi					
Financial centre ²	2006	747,019	-	138,183	IPUD
Sowwah Island - Development work in progress ²	2006	103,985	-	-	Inventory
Sowwah Island - Plots for sale ²	2006	4,703,393	612,704	892,091	Inventory
Sowwah Island ²	2006	697,864	30,236	98,143	PPE
New Fish Market	2006	484,448	20,981	23,003	IP
New Headquarter	2004	102,675	-	-	PPE
Parking lot - New Headquarter	2009	70,000	-	-	PPE
Mussafah	2007	4,041,526	34,300	40,350	IP
Hai Al Dawoody	2009	1,076	-	-	PPE
Hamran	2009	1,076	-	-	PPE
Masdar City Land					
Masdar Institute of Science and Technology ⁶	2008	353,090	-	-	PPE
10MW Power Plant ⁶	2008	2,367,200	-	-	PPE
Masdar Head Quarter ⁶	2008	272,163	-	-	PPE
Masdar City - Project 1 ⁶	2008	573,508	-	-	PPE
Masdar City (Courtyard and Siemens) ⁶	2008	105,594	149,016	-	IPUD
Al Falah- Plot 3	2007	4,719,243	-	-	PPE
Future economic benefits uncertain / no future economic benefits³					
Jabel Al Dhannah ⁷	2009	10,956,700	-	-	N/A
Masdar City Land ⁵ (remaining portion)	2008	56,185,237	-	-	N/A
Al Reem Island - Sorbonne University ⁴	2006	1,001,934	-	-	N/A
Sowwah Island - Cleveland Clinic ²	2006	1,007,158	-	-	N/A
Sowwah Island (remaining portion) ²	2006	4,907,950	-	-	N/A
Khalifa City - Zayed University ⁴	2006	8,207,745	-	-	N/A
East Al Reem Island	2006	3,609,265	-	-	N/A
Old Fish Market - New York Institute of Technology ⁴	2006	163,877	-	-	N/A
Al Falah- Plot 5	2008	1,599,939	-	-	N/A
Al Falah- Plot 3 (remaining portion)	2007	18,360,558	-	-	N/A
Others	2004-09	61,965,983	-	-	N/A

Mubadala Development Company PJSC

Notes to the consolidated financial statements

34 Government grants (continued)

(a) Non-monetary government grants (continued)

(i) Land (continued)

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

²On the Sowwah Island out of the total unsold land area of 12,167,369 square feet, an area of 1,007,158 square feet has been allocated for the Cleveland Clinic Project, which is a Government of Abu Dhabi project. No future economic benefit from this project is likely to flow to the Group. Furthermore, approximately 851,004 square feet of land has been allocated for construction of the Abu Dhabi Financial Centre which has been recognised as investment property except for 103,985 square feet of land which has been recognised as inventory. The Group identified and earmarked certain plots of land for sale at Sowwah Island. Accordingly, these plots of land with a land area of 4,703,393 square feet have been classified as inventory.

The Group has identified and earmarked plots of approximately 697,864 square feet for production or supply of goods and services which has been classified as property, plant and equipment. Sowwah Island includes approximately five million square feet of land earmarked for roads and waterfront for common public use.

³Having regard to the disclosure in annotation 5 below, management is of the view that the determination of a value for these parcels of land is not possible since reliable estimates of fair value are not available, the future use of these sites is unknown and there is a possibility that they will not be used for commercial purposes and may revert to the Government. Accordingly, it is uncertain that future economic benefits will flow to the Group from the ownership of these parcels of land, and therefore, such properties have not been recognised in the books of the Group. Included in this category are plots of land where it is established that, based on their current or intended use, no future economic benefits will flow to the Group.

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

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

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

34 Government grants (continued)

(a) Non-monetary government grants (continued)

(i) Land (continued)

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

The 10 megawatt power plant produces and supplies power to the national grid of the UAE. A feed-in tariff with Abu Dhabi Water and Electricity Company ("ADWEC") and a green subsidy from the Government of Abu Dhabi has been agreed and in the process of getting formal agreements signed. Revenue has been recognized during 2011 based on the final approved tariff. Management is confident of obtaining the feed-in tariff with ADWEC and the green subsidy from Government of Abu Dhabi.

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

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

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

(ii) Helicopter and helicopter spare parts

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

(iii) Use of land for construction of buildings

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

(b) Monetary government grants

i) During 2006, the Group received an amount of USD 100,000 thousand, equivalent to AED 367,350 thousand, from the Government of Abu Dhabi for investment in Masdar Clean Tech Fund L.P. ("the Fund") registered in Cayman Islands. As at 31 December 2011 the Group had an outstanding commitment to invest an additional AED 47,971 thousand (31 December 2010: AED 146,256 thousand) in the Fund.

ii) During the year, the Group received government grants of AED 5,304,172 thousand (2010: AED 269,403 thousand) including government grants acquired through business combinations of AED 2,770,165 (2010: AED nil). Where such monetary grants represent grants received/ acquired to compensate the Group for expenses to be incurred are initially recognized in the Statement of Financial position as a deferred liability. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis. Where such grants are received to compensate for cost of assets, such assets are carried at cost, less the value of grants received.

The Group has received grants and allowances from Government bodies outside UAE, which are primarily provided in connection with construction and operation of the Group's wafer manufacturing facilities, employment and research and development.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

34 Government grants (continued)

(b) Monetary government grants (continued)

During the year movement in government grants were as follows:

	2011 AED '000	2010 AED '000
At 1 January	73,761	120,559
Assumed from control of subsidiaries	1,469,400	-
Received during the year	2,534,007	269,403
Amortised during the year	(742,912)	(281,954)
Netted off against assets	(869,732)	(34,247)
Repayment accrual for grants	7,002	-
Reclassification of unutilised grants to payables	(99,857)	-
At 31 December	<u>2,371,669</u>	<u>73,761</u>
Current	309,617	44,085
Non-current	2,062,052	29,676
	<u>2,371,669</u>	<u>73,761</u>

Certain investment grants are subject to forfeiture in declining amounts over the life of the agreement if the Group does not maintain certain agreed employment levels and fulfil other conditions specified in the relevant subsidy documents. In addition, certain investment allowances are repayable in full if investment or other conditions of the applicable regulations are met over a specified period of time. Accordingly should the Group fail to meet the terms and conditions of the respective investment grants and allowances, the Group may in the future be required to make repayments of investment grants and allowances. For receivables against government grants refer note 21.

35 Employee benefits

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

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

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

	2011 AED '000	2010 AED '000
Defined benefit asset	278,354	255,645
Pension liabilities	(31,714)	(86,001)
	<u>246,640</u>	<u>169,644</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

35 Employee benefits (continued)

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

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

	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000	Defined benefit pension plans 2010 AED '000	Other employee benefits 2010 AED '000
Present value of defined benefit obligation	(3,883,868)	(31,714)	(3,837,060)	(86,001)
Fair value of plan assets	3,296,906	-	3,350,081	-
	(586,962)	(31,714)	(486,979)	(86,001)
Funded status	865,316	-	742,624	-
Unrecognised net actuarial loss	278,354	(31,714)	255,645	(86,001)

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

	2011 AED '000	2010 AED '000
At 1 January	3,837,060	4,060,002
Increase due to plan amendment (past service cost)	(34,461)	-
Current service cost	103,681	92,054
Interest cost	108,203	105,903
Contribution by plan participants	53,739	41,537
Actuarial losses / (gains)	14,491	35,893
Benefits paid	(282,120)	(218,280)
Losses due to assumption changes	82,003	302,115
Settlements	-	(940,319)
Foreign exchange difference	1,272	358,155
At 31 December	3,883,868	3,837,060

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

	2011 AED '000	2010 AED '000
At 1 January	3,350,081	4,063,459
Expected return on plan assets	140,771	121,296
Actuarial (losses) / gains	(70,597)	(56,415)
Exchange differences	7,178	311,850
Employer contributions	97,854	90,475
Employee contributions	53,739	41,537
Benefits paid	(282,120)	(218,280)
Plan settlements	-	(1,003,841)
At 31 December	3,296,906	3,350,081

Mubadala Development Company PJSC

Notes to the consolidated financial statements

35 Employee benefits (continued)

The above calculations are based on following assumptions:

	2011	2010
Discount rate	2.40%	2.75%
Expected return on plan assets	3.70%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	0.50%	0.50%

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

The actual return on plan assets was AED 70,294 thousand (2010: AED 64,991 thousand).

The components of employee benefit expense are as follows:

	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000	Defined benefit pension plans 2010 AED '000	Other employee benefits 2010 AED '000
Current service costs	97,397	8,069	101,725	7,560
Interest costs	101,645	2,223	117,030	2,748
Amortisation of past service costs	(32,372)	(50,619)	-	-
Amortisation of unrecognised actuarial (gains) / losses	35,799	(5,044)	2,151	3,728
Curtailments / settlements	-	-	49,200	-
Expected return on plan assets	(132,239)	-	(134,040)	-
Net periodic employee benefit cost / (income)	<u>70,230</u>	<u>(45,371)</u>	<u>136,066</u>	<u>14,036</u>

The Group's incorporated cost from the defined benefit plans is AED 74,869 thousand in 2011 (2010: AED 78,766 thousand); the cost related to defined contribution employee benefit schemes amounted to AED 4,159 thousand (2010: AED 5,298 thousand). All employee benefit costs are included in Personnel costs. The expected contributions to defined benefit plans for 2012 amount to AED 88,305 thousand.

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

	Defined benefit pension plans 2011 AED '000	Other employee benefits 2011 AED '000	Defined benefit pension plans 2010 AED '000	Other employee benefits 2010 AED '000
Assets / (liabilities) at 1 January	255,645	(86,301)	246,783	(75,711)
Net periodic employee benefit cost	(74,761)	48,299	(104,607)	(12,701)
Employer contributions	97,854	9,916	90,475	10,158
Foreign exchange difference	(1,386)	(3,591)	22,994	(8,047)
Assets / (liabilities) at 31 December	<u>277,352</u>	<u>(31,677)</u>	<u>255,645</u>	<u>(86,301)</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

35 Employee benefits (continued)

Plan assets consist of the following:

	2011 AED '000	2011	2010 AED '000	2010
Equity securities	723,183	21.9%	846,284	25.3%
Bonds	1,353,184	41.1%	1,364,976	40.7%
Investments in property	630,974	19.1%	499,352	14.9%
Others	589,565	17.9%	639,469	19.1%
	<u>3,296,906</u>		<u>3,350,081</u>	

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

At 31 December	2011 AED '000	2010 AED '000	2009 AED '000
Present value of defined benefit obligation	(3,883,868)	(3,837,060)	(4,060,002)
Fair value of plan assets	3,296,906	3,350,081	4,063,459
Deficit / (surplus)	<u>(586,962)</u>	<u>(486,979)</u>	<u>3,457</u>
Experience adjustments on plan liabilities	<u>(13,613)</u>	<u>(39,664)</u>	<u>73,631</u>
Experience adjustments on plan assets	<u>(66,319)</u>	<u>(62,342)</u>	<u>123,908</u>

36 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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Notes to the consolidated financial statements

36 Financial instruments (continued)

Risk management framework (continued)

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

(a) Credit risk

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

Loans and receivables

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

Approximately 53% (2010: 55%) of the receivables are from related parties primarily parties under common control of the Company's shareholder. However, this concentration of credit risk is mitigated by the fact that the overall exposure is being spread over a number of customers.

Investments

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

Guarantees

The Company provides guarantees to third parties on behalf of its wholly owned subsidiaries and on behalf of joint ventures in proportion to the Company's wholly owned subsidiaries' interests in the joint ventures (see note 32).

Exposure to credit risk

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

	2011 AED '000	2010 AED '000
Financial investments		
Convertible bonds issued by related parties	470,914	2,488,148
Other bonds	1,155,101	1,916,464
Receivables and prepayments		
Service concession receivables	8,031,075	7,341,527
Trade receivables	4,057,540	1,579,823
Contract work in progress	688,002	589,063
Receivable against sale of land	467,904	693,011
Due from related parties	3,931,592	1,706,943
Other receivables	4,505,431	2,051,813
Loans receivable	14,563,831	11,573,130
Other assets	56,585	-
Finance lease receivables	1,534,147	-
Cash at bank	14,527,419	6,258,729
	53,989,541	36,198,651

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Notes to the consolidated financial statements

36 Financial instruments (continued)

(a) Credit risk (continued)

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

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

	2011		2010	
	Gross AED '000	Impairment AED '000	Gross AED '000	Impairment AED '000
Not past due	10,617,856	(45,917)	8,357,855	-
Past due 0 - 120 days	246,798	-	95,485	-
Past due 121- 180 days	99,548	-	63,230	-
Past due above 180 days	3,645,546	-	3,056,560	-
	14,609,748	(45,917)	11,573,130	-

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

	2011		2010	
	Gross AED '000	Impairment AED '000	Gross AED '000	Impairment AED '000
Not past due	35,396,389	(45,883)	23,230,028	(99,731)
Past due 0 - 120 days	1,585,958	(13,848)	924,306	(4,252)
Past due 121- 180 days	1,045,220	(2,765)	219,349	(226)
Past due above 180 days	1,599,201	(138,562)	487,317	(131,270)
	39,626,768	(201,058)	24,861,000	(235,479)

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

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

	2011 AED '000	2010 AED '000
Balance at January 1	235,479	213,158
Provision during the year	72,638	60,118
Effect of exchange rate difference	2,918	(26,492)
Written off during the year	(64,060)	(11,305)
Balance at December 31	246,975	235,479

(b) Liquidity risk

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(b) Liquidity risk (continued)

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

	Note	2011					2010				
		Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000	Carrying value AED '000	Contractual cash flows AED '000	1 year or less AED '000	1-5 years AED '000	More than 5 years AED '000
Non - derivative financial liabilities											
Payables and accruals	24	15,187,416	(15,187,416)	(15,154,234)	(33,182)	-	7,614,238	(7,614,238)	(7,614,238)	-	-
Interest bearing borrowings	26	43,177,460	(53,583,324)	(6,690,482)	(26,867,603)	(20,025,239)	26,939,064	(35,220,685)	(3,339,728)	(19,320,466)	(12,560,491)
Obligation under finance lease	28	1,521,015	(2,193,776)	(283,129)	(1,121,164)	(789,483)	-	-	-	-	-
Other liabilities	27	266,131	(287,056)	(66,722)	(188,335)	(31,999)	284,235	(284,235)	-	(284,235)	-
Bank overdraft	23	5,165	(5,165)	(5,165)	-	-	7,447	(7,447)	(7,447)	-	-
Amounts due to equity accounted investees	17	824,323	(824,323)	(824,323)	-	-	1,003,881	(1,003,881)	(1,003,881)	-	-
Derivative financial liabilities											
<i>Derivatives designated and effective as hedging instruments carried at fair value</i>											
- interest rate swaps	25	751,528	(823,314)	(151,017)	(508,237)	(164,060)	481,684	(547,531)	(71,993)	(270,509)	(205,029)
- foreign exchange forward contracts	25	93,934	(93,934)	(93,934)	-	-	-	-	-	-	-
<i>Financial liabilities carried at fair value through profit or loss</i>											
- interest rate swaps	25	823,454	(1,059,503)	(40,168)	(144,247)	(875,088)	310,981	(304,365)	-	-	(304,365)
- foreign exchange forward contracts	25	62,837	(46,181)	(46,181)	-	-	17,466	(35,423)	(19,278)	(16,145)	-
- equity options	25	41,726	(41,726)	(41,726)	-	-	33,987	(33,987)	(33,987)	-	-
- equity swaps	25	3,244	(3,244)	(3,244)	-	-	81,238	(81,238)	(81,238)	-	-
<i>Other financial liabilities</i>											
Exchange traded securities	25	89,648	(89,648)	(89,648)	-	-	-	-	-	-	-
		62,847,881	(74,238,610)	(23,489,973)	(28,862,768)	(21,885,869)	36,774,221	(45,133,030)	(12,171,790)	(19,891,355)	(13,069,885)

The total undrawn borrowing facilities as at the reporting date is AED 11,573,006 thousand (2010: AED 13,322,293 thousand).

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(c) Market risk

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

Currency risk

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

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

Exposure to currency risk

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

	2011			
	Euro '000	GBP '000	CHF '000	SGD '000
Fair value through profit or loss investments	60,025	12,813	-	-
Available for sale financial assets	3,194	-	-	-
Trade and other receivables	2,942	22,131	52,863	286
Loans receivable	321,862	57,280	-	-
Trade and other payables	(22,083)	(33,673)	(32,081)	(76)
Interest bearing borrowings	(565,126)	(34,994)	(452,027)	-
Cash and cash equivalents	70,549	47,698	37,498	667
Other assets	16,264	-	1	-
Other liabilities	(16,011)	(883)	89	-
Net exposure	(128,384)	70,372	(393,657)	877
	2010			
	Euro '000	GBP '000	CHF '000	SGD '000
Fair value through profit or loss investments	28,476	-	918	-
Available for sale financial assets	2,200	-	-	-
Trade and other receivables	303,000	20,433	42,422	307
Loans receivable	15,250	30,173	(40,000)	-
Trade and other payables	(78,728)	(1,716)	(43,903)	(364)
Interest bearing borrowings	(750,191)	-	(90,379)	(25,032)
Cash and cash equivalents	145,156	28,682	55,553	591
Other assets	16,263	-	-	-
Other liabilities	(206)	-	-	-
Net exposure	(318,780)	77,572	(75,389)	(24,498)

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(c) Market risk (continued)

Currency risk (continued)

The following significant exchange rates applied during the year:

	2011			
	Euro - AED	GBP - AED	CHF - AED	SGD - AED
Closing rate	4.7553	5.6751	3.9073	2.8266
Average rate	<u>5.1167</u>	<u>5.8937</u>	<u>4.1594</u>	<u>2.8269</u>
	2010			
	Euro - AED	GBP - AED	CHF - AED	SGD - AED
Closing rate	4.8664	5.6803	3.9032	2.8438
Average rate	<u>4.8783</u>	<u>5.6807</u>	<u>3.5321</u>	<u>3.5321</u>

Sensitivity analysis

A 10% strengthening of the AED against the Euro, GBP, CHF and SGD at 31 December would have increased (decreased) equity and consolidated profit or loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2010.

	Equity AED '000	Profit / (loss) AED '000
31 December 2011		
Euro	(1,519)	62,569
GBP	-	(39,937)
CHF	-	153,814
SGD	-	(247)
 31 December 2010		
Euro	(1,071)	156,200
GBP	-	(44,063)
CHF	-	29,426
SGD	-	6,967

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

Interest rate risk

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(c) Market risk (continued)

Interest rate risk (continued)

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

	2011 AED '000	2010 AED '000
Fixed rate instruments		
Financial assets	17,486,652	11,481,153
Financial liabilities	(17,832,569)	(6,445,057)
	<u>(345,917)</u>	<u>5,036,096</u>
Variable rate instruments		
Financial assets	10,984,030	6,763,282
Financial liabilities	(27,980,545)	(19,943,871)
	<u>(16,996,515)</u>	<u>(13,180,589)</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

31 December 2011

In thousands of AED

	Profit/ (loss) 100bp increase	100bp decrease
Variable rate instruments	<u>(50,511)</u>	<u>50,511</u>

31 December 2010

In thousands of AED

Variable rate instruments	<u>(55,513)</u>	<u>55,513</u>
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Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(c) Market risk (continued)

Other market price risk

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

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

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

	Effect on profit or loss	Effect on other comprehensive Income
	AED '000	AED '000
31 December 2011		
Effect of change in equity portfolio of the Group	<u>(416,995)</u>	<u>(145,706)</u>
31 December 2010		
Effect of change in equity portfolio of the Group	<u>(409,960)</u>	<u>(284,804)</u>

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

	Effect on profit or loss	Effect on equity
	AED '000	AED '000
31 December 2011		
Effect of change in equity portfolio of the Group	<u>416,995</u>	<u>145,706</u>
31 December 2010		
Effect of change in equity portfolio of the Group	<u>409,960</u>	<u>284,804</u>

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(d) Fair value

Fair value versus carrying amounts

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

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	AED '000	AED '000	AED '000	AED '000
Assets carried at fair value				
Financial assets at fair value through profit or loss				
- Quoted securities	8,228,122	8,228,122	8,065,170	8,065,170
- Funds	2,274,006	2,274,006	1,792,683	1,792,683
- Convertible bonds issued by related parties	470,914	470,914	2,488,148	2,488,148
- Other bonds	1,108,595	1,108,595	1,873,018	1,873,018
- Investments held for trading	46,506	46,506	49,086	49,086
- Derivative assets	94,739	94,739	121,920	121,920
Available for sale financial assets				
- Quoted securities	2,914,111	2,914,111	5,696,088	5,696,088
- Unquoted securities ¹	4,492,870	-	4,389,731	-
	<u>19,629,863</u>		<u>24,475,844</u>	
Assets carried at amortised cost				
Receivables and prepayments	21,681,544	21,681,544	13,962,180	13,962,180
Loans receivable	14,563,831	14,563,831	11,573,130	11,573,130
Finance lease receivables	1,534,147	1,534,147	-	-
Other assets	56,585	56,585	-	-
Cash and cash equivalents	14,524,088	14,524,088	6,261,890	6,261,890
	<u>52,360,195</u>		<u>31,797,200</u>	
Liabilities carried at fair value				
<i>Derivatives designated and effective as hedging instruments carried at fair value</i>				
- interest rate swaps	(751,528)	(751,528)	(481,684)	(481,684)
- foreign exchange forward contracts	(93,934)	(93,934)	-	-
<i>Financial liabilities carried at fair value through profit or loss</i>				
- interest rate swaps	(823,454)	(823,454)	(310,981)	(310,981)
- foreign exchange forward contracts	(62,837)	(62,837)	(17,466)	(17,466)
- equity options	(41,726)	(41,726)	(33,987)	(33,987)
- equity swaps	(3,244)	(3,244)	(81,238)	(81,238)
Exchange traded securities	(89,648)	(89,648)	-	-
	<u>(1,866,371)</u>		<u>(925,356)</u>	

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(d) Fair value (continued)

Fair value versus carrying amounts (continued)

	2011		2010	
	Carrying amount AED '000	Fair value AED '000	Carrying amount AED '000	Fair value AED '000
Liabilities carried at amortised cost				
Payables and accruals	(15,187,416)	(15,187,416)	(7,614,238)	(7,614,238)
Obligation under finance lease	(1,521,015)	(1,521,015)	-	-
Amounts due to equity accounted investees	(824,323)	(824,323)	(1,003,881)	(1,003,881)
Other liabilities	(266,131)	(266,131)	(284,235)	(284,235)
Interest bearing borrowings	(43,177,460)	(44,210,675)	(26,939,064)	(27,360,370)
	<u>(60,976,345)</u>		<u>(35,841,418)</u>	

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

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

Level 1: Quoted prices in active markets for assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

31 December 2011

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(d) Fair value (continued)

31 December 2010

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

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

	2011 AED '000	2010 AED '000
At 1 January	3,616,663	739,223
Additions during the year	570,436	2,864,787
Disposals during the year ¹	(972,065)	(259,438)
Increase in fair value recognised in profit or loss (net) ²	36,259	272,091
At 31 December	<u>3,251,293</u>	<u>3,616,663</u>

¹ Disposals include the disposal of a financial asset at fair value through profit or loss resulted in gain of AED 36,735 thousand.

² Includes increase in fair value recognised in profit or loss, attributable to assets held at the balance sheet date, amounts to AED 37,839 thousand (2010: AED 146,846 thousand). The total net increase in fair value was recorded in "(Loss) / income from financial investments" in the statement of comprehensive income.

(e) Capital management

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

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

36 Financial instruments (continued)

(e) Capital management (continued)

Certain subsidiaries are subject to debt covenants requiring the maintenance of specific debt to equity ratios. Furthermore, the Company and its subsidiaries incorporated in the UAE are subject to certain requirements of the UAE Federal Law No. 8 of 1984 (as amended) to maintain a statutory reserve (*see note 30*), which they are compliant with.

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

	2011 AED '000	2010 AED '000
Interest bearing borrowings (<i>see note 26</i>)	43,177,460	26,939,064
Obligation under finance lease (<i>see note 28</i>)	1,521,015	-
Less: cash and cash equivalents (<i>see note 23</i>)	(14,524,088)	(6,261,890)
Net debt	<u>30,174,387</u>	20,677,174
Total capital	106,374,876	62,116,862
Total capital and net debt	136,549,263	82,794,036
Gearing ratio	<u>22%</u>	<u>25%</u>

37 Accounting estimates and judgements

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

Impairment losses and determination of fair values

The Group reviews its investments in equity accounted investees, other investments and receivables to assess impairment losses at each reporting date (*see note 3(t)*). The Group's credit risk is primarily attributable to its unquoted available for sale investments, trade and other receivables and other items disclosed in *note 36(a)*. In determining whether impairment losses should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data including revised business plans of investee companies, indicating that there is a measurable decrease in the estimated future cash flows on a case by case basis. Accordingly, an allowance for impairment is made where there is an identified loss event or a condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Determination of fair values

Refer to *notes 15, 18, 25 and 36* for determination of fair values of investment properties and financial instruments.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

37 Accounting estimates and judgements (continued)

Estimated useful lives of property, plant and equipment

Management assigns useful lives and residual values to the items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual values and useful lives of the major items of property, plant and equipment and has determined that no adjustment is necessary. Refer to *note 3(l)* for details of the estimated useful lives of property, plant and equipment.

During the year ended 31 December 2011, the Group has revised the estimated useful life of certain equipment and machinery. The useful life has been revised from six years to eight years to better reflect the expected pattern of economic benefits. The revision is made on the basis of an analysis of the expected technology lifecycle, historical usage experience and industry practices. The change in estimated useful life is a change in accounting estimate that has been applied prospectively from 1 July 2011.

The impact of this change in current and future periods is as follows:

	2011	2012	2013	2014	2015 onwards
	AED '000				
Decrease (increase)					
in net loss	551,925	789,696	282,797	(17,993)	(1,606,425)

Quantities of proved oil and gas reserves

Depreciation on certain of the Group's property, plant and equipment is estimated on the basis of oil and gas reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable oil reserves. Oil reserve engineering is a subjective process of estimating underground volumes of oil that cannot be precisely measured, and estimates of other engineers might differ materially from the estimates utilised by the Group. The accuracy of any reserve estimate is a function of the quality of available data and associated engineering and geological interpretations and judgements. Results of drilling, testing, and production subsequent to the date of the estimate may justify the revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and gas that are ultimately recovered. The Group's share of the oil and gas reserves that may be ultimately recovered from the joint ventures is subject to the production sharing agreements.

Possibility of future economic benefits from land received as government grants

Refer to *notes 3(h) and 34* for a description of judgements and estimates used to ascertain the possibility of future economic benefits from land received as government grants.

Decommissioning liabilities

Management periodically assesses the numerous uncertainties inherent in estimating the decommissioning and other environmental liabilities, including judgements relating to cost estimation and the timing of these costs (*see note 27*).

Determining whether a contract is a service concession

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

Mubadala Development Company PJSC

Notes to the consolidated financial statements

37 Accounting estimates and judgements (continued)

Determining whether a contract is a service concession (continued)

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

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

Revenue recognition for construction contract

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

Estimation of costs

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

Project expenses

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

Ownership interest in a subsidiary

The Group owns GLOBALFOUNDRIES Inc. (GF) through holding a number of complex convertible financial instruments (Class A Preferred Shares, Class B Preferred Shares, Class A Convertible Notes and Class B Convertible Notes) each of which have economic characteristics which require significant judgment to assess whether the instrument gives access at present to the economic benefits associated with an ownership interest to the Group in GF. Management has exercised its judgment and determined that currently Class A Preferred Shares and Class A Convertible Notes give access to the Group at present, to the economic benefits in GF. Accordingly the economic equity ownership of the Group determined on a diluted equity instruments basis is 88.48% as of 31 December 2011.

Mubadala Development Company PJSC

Notes to the consolidated financial statements

37 Accounting estimates and judgements (continued)

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to the various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgement by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations.

38 Service concession arrangements

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

University	Concession period	Commencing in	Grantor
UAE University	25 years	August 2011	UAE University
Sorbonne University	25 years	September 20	Abu Dhabi Education Council
Zayed University	25 years	August 2011	Abu Dhabi Education Council

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

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

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

39 Non-cash transactions

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

ATIC was transferred to the Group by the Shareholder (*see note 5(a)(i)*).

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

Ownership interest in Aldar has increased, resulted from conversion of convertible bonds (*see note 17(a)*).

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39 Non-cash transactions (continued)

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

Convertible bonds included in financial investments, having carrying value of AED 1,498,212 (2010: AED nil) have been converted into shares during the year.

40 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these consolidated financial statements.

The presentation of the Consolidated statement of comprehensive income has been enhanced over prior year's presentation.

One of the Company's investment in unquoted shares earlier reported as "Other Assets" have been reclassified to "Financial Investments" to provide a more consistent presentation with other investments of the Group.

The effect of this change on the consolidated financial statements is as follows:

	31 Dec 2010 AED '000	1 Jan 2010 AED '000
<i>Statement of financial position items</i>		
Financial investments	578,180	578,180
Other assets	(578,180)	(578,180)

Further, investment property under construction for development has been reclassified from property, plant and equipment to investment properties as a result of amendment in IAS 40, Investment property for periods beginning on or after 1 January 2009. As a result of amendments, property under construction for development for future use as investment property is included in "investment property" as defined under IAS 40.

The effect of this change on the consolidated financial statements is as follows:

	31 Dec 2010 AED '000	1 Jan 2010 AED '000
<i>Statement of financial position items</i>		
Investment properties	4,435,346	2,512,587
Property, plant and equipment	(4,435,346)	(2,512,587)

Furthermore, one of the loan given by one of the Group's subsidiary was considered as intercompany loan and netted off in the prior year. This loan is not an intercompany loan and hence the balances of loans given and liabilities have grossed up accordingly.

The effect of this change on the consolidated financial statements is as follows:

	31 Dec 2010 AED '000	1 Jan 2010 AED '000
<i>Statement of financial position items</i>		
Loans receivable (non-current)	550,133	386,683
Receivables and prepayments (non-current)	125,058	37,042
Interest bearing borrowings (non-current)	550,133	386,683
Payables and accruals (current)	125,058	37,042

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41 Subsequent events

Subsequent to the year end, Global Foundries Inc ("GF") announced a revised 2012 Wafer Supply Agreement ("WSA") with Advanced Micro Devices, Inc. ("AMD"). One important provision in the revised WSA is that ATIC will become the sole owner of GF.

The financial effect in 2012 on the Group's results flowing from ATIC, of ATIC becoming the sole owner of GF, is that effective the date of the agreement, ATIC will attribute the entire results of GF to the Group as the sole owner and have no portion of the results attributable to non-controlling interests.