International Petroleum Investment Company PJSC and its subsidiaries

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2016

International Petroleum Investment Company PJSC and its subsidiaries

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2016

BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2016

The Board of Directors presents the consolidated financial statements of International Petroleum Investment Company PJSC (IPIC or the Company) and its subsidiaries (the Group) for the year ended 31 December 2016.

Principal activities

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

The principal activity of the Company is to invest, on a long-term basis, in overseas energy and energy-related assets and to undertake infrastructure projects. At year-end, the Company has direct and indirect equity interests in various subsidiaries across the world: 64% interest in Borealis AG ("Borealis") based in Austria, 100% interest in Nova Chemicals Corporation ("Nova") based in Canada, 100% interest in Compañía Española de Petróleos SA ("CEPSA") based in Spain and 98.52% interest in Aabar Investments PJS ("Aabar") based in UAE. Aabar is a diversified investment company with investments across a broad range of sectors including aerospace, construction, commodities, financial services and real estate.

Further, Aabar has direct and indirect equity interests in various subsidiaries across the world: 100% interest in Falcon Private Bank ("Falcon Bank") based in Switzerland, 70% in Palm Assets based in Morocco and 36.11% interest in Arabtec Holding PJSC ("Arabtec") based in UAE.

Merger announcement

On 19 January 2017, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, as the Ruler of Abu Dhabi, issued a law creating Mubadala Investment Company, a company wholly owned by the Government of the Emirate of Abu Dhabi. Mubadala Investment Company will comprise both International Petroleum Investment Company ("IPIC") and Mubadala Development Company ("MDC") and their respective assets. This law formalises the 29 June 2016 announcement that IPIC and Mubadala would merge, a strategic decision intended to create an international investment powerhouse for Abu Dhabi.

Change in accounting policy for investment properties

During the year, the Group changed its accounting policy with respect to the subsequent measurement of investment properties from the cost model to fair value model. As a result, the Group will not record the depreciation and impairment (if any) on its investment properties and will record change in the fair value in profit and loss. The Group believes that subsequent measurement using fair value model provides a more appropriate representation of the substance of these assets.

The impact of the change in accounting policy from the cost model to fair value model was significant and therefore it is adjusted in the current and prior year financial statements based on relevant year fair value of investment properties. The carrying amount of investment properties (including advances paid on investment properties) decreased from US $ 2,965 million and US $ 3,173 million, as reported in prior periods, to US $ 1,701 million and US $ 1,943 million, as of 1 January 2015 and 31 December 2015, respectively. Due to this change in accounting policy, the 2015 full year loss amounting to US $ 2,628 million minimally reduced to US $ 2,592 million because of the net impact of reversal of depreciation and impairments of investment properties and fair value adjustments thereof.

BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2016

2016 Financial Results

The market environment in 2016 continued to be volatile and challenging; the global economy and the chemical industry saw a slower growth and yearly average oil price came in at its lowest value as Brent crude, Europe's benchmark, further slipped down to US $ 43.8 per barrel in 2016, from US $ 52.4 per barrel in 2015. Economic uncertainty increased considerably as an effect of the British vote to exit European Union, unpredictability of United States presidential elections and continuing geopolitical conflicts. Despite all of these uncertainties, the Group delivered strong result and showed a significant improvement, with a return to profit of US $ 0.4 billion compared to a loss of US $ 2.6 billion loss in 2015.

Net sales revenue in 2016 was US $ 31.0 billion, slightly down by 6.2% compared to 2015 due to lower crude and gas prices. Gross profit margin rose from 5.0% to 18.8%; in 2015 significant impairments of property, plant and equipment were recognised in cost of sales that considerably lowered the gross profit margin. In addition, the Group benefitted from lower feedstock costs and record-high industry margins during 2016.

Operating profit was US $ 1.9 billion in 2016 compared to a loss of US $ 3.6 billion in 2015, which was largely due to impairments recorded in 2015. The effects of mark-to-market losses on the Group's financial instruments and income tax charge reduced the operating profit in 2016 for the year to reach to a net profit of US $ 0.4 billion compared to a net loss of US $ 2.6 billion in 2015.

Total comprehensive income for year 2016 was US $ 0.2 billion compared to a loss of US $ 4.1 billion in 2015. Total assets were US $ 54.8 billion at 31 December 2016 compared to US $ 56.9 billion a year ago. The drop is explained by the mark-to-market losses on equity instruments recognised during 2016 and the devaluation of the EUR/USD exchange rate, which affected the translation of the Group's Euro-denominated assets.

The Group continues to generate strong positive cash flows from operations amounting to US $ 3.3 billion. Cash position at year-end was US $ 5.9 billion compared to US $ 5.4 billion in 2015. Interest costs reduced from US $ 1.0 billion in 2015 to US $ 0.9 billion in 2016 while net debt reduced by US $ 2.5 billion from US $ 22.2 billion in 2015 to US $ 19.7 billion at 31 December 2016, which resulted in an improvement of gearing ratio of 63% at end of 2016 compared to 65% at the end of 2015.

Settlement with 1MDB and Ministry of Finance, Inc. Malaysia ("MOF")

On 22 April 2017, IPIC, Aabar, MOF and 1MDB reached an agreement between all parties that provides for a settlement in respect to the arbitration proceedings at the London Court of International Arbitration (the "Settlement") and the Arbitration Tribunal made a consent award on 9 May 2017. Under the terms of the Settlement, IPIC will receive an amount of US $ 602,725 thousand by 31 July 2017 and a further amount of US $ 602,725 thousand by 31 December 2017.

Separately, 1MDB and MOF undertake to IPIC to assume responsibility for all future interest and principal payments under the Notes issued by 1MDB Group companies that are guaranteed by 1MDB and IPIC.

The parties have provided suitable undertakings and indemnities in respect of the performance of obligations under the Settlement.

BOARD OF DIRECTORS' REPORT
For the year ended 31 December 2016

Appreciating Our Stakeholders

IPIC has leveraged off of the wisdom and experience of its board of directors in successfully guiding the organization to new levels of achievement. I am grateful for their advice and leadership. I am equally thankful for the outstanding contributions and dedication of the IPIC leadership team, our dedicated staff, and the professionals who build and grow our valued portfolio companies. These partnerships are critical to our continued success.

Finally, I wish to express our gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, and His Highness Sheikh Mohamed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, for their unfailing leadership, support and encouragement.

For and on behalf of the Board of Directors

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Mansour bin Zayed Al Nahyan
Chairman of the Board of Directors

Abu Dhabi, May 2017

Independent auditor's report to the shareholder of International Petroleum Investment Company PJSC

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2016;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to notes 23 and 42 to the consolidated financial statements which explain that, as at 31 December 2016, the Group has recognised a receivable balance of US $ 1.7 billion (31 December 2015: US $ 1.6 billion) due from 1Malaysia Development Berhad ("1MDB") and/or the Ministry of Finance Inc, Malaysia ("MOF"). In addition, the Group has recognised a reimbursement asset receivable from 1MDB and/or MOF in the amount of US $ 3.5 billion (31 December 2015: US $ 3.5 billion) being the present value of probable future payments which could be made under the joint guarantees that the Company had provided to certain 1MDB subsidiaries in 2012 ("the Guarantees"). On 9 May 2017, London Court of International Arbitration issued a Consent Award in respect of the settlement agreement dated 22 April 2017, wherein 1MDB and MOF jointly committed to settle US $ 1.2 billion of the receivable balance by the end of 2017 and have provided indemnity to the Company for any payments that could be made by the Company under the Guarantees. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unmodified opinion, but containing emphases of matter paragraphs, on those consolidated financial statements on 28 June 2016.

Independent auditor's report to the shareholder of International Petroleum Investment Company PJSC (continued)

Our audit approach

Overview

This was the first year we were appointed as the auditor of the Group. As part of developing our knowledge for the 2016 audit, we reviewed the working papers of the former auditor to help us familiarise ourselves with the significant judgements which were made as part of forming the audit opinion for that year and the audit evidence they obtained in relation to significant issues and key management judgements.

Key Audit Matters	The areas, in our professional judgment, that are of most significance to the audit ('Key audit matters') and which required most of our audit effort during the year were: • Valuation of investment properties • Recognition of deferred tax assets and estimation in respect of uncertain tax positions • Litigations and claims

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties	
The Group's investment property portfolio comprises developed properties and undeveloped land mainly located in the United Arab Emirates with a valuation in the consolidated statement of financial position of US $ 1,864 million (2015: US $ 1,943 million). The valuation of investment properties was important to our audit due to the significant estimates involved in the assessment of the fair value of investment properties, the materiality of these balances and related impact of any adjustments. The valuations for these investment properties were carried out by various independent third party valuers ("Valuers") in accordance with the Royal Institute of Chartered Surveyor ('RICS') Valuation - Professional Standards.	We obtained the individual Valuers' reports, on a sample basis, for investment properties and by involving our own internal valuation specialists, we evaluated the adequacy of the work of the Valuers by considering the appropriateness of the methodology used by them, the relevance and reasonableness of the Valuers' findings or conclusions and their consistency with other audit evidence. Our internal valuation specialists also assessed if the valuation methods and principles used were in compliance with the Royal Institute of Chartered Surveyor ('RICS') Valuation - Professional Standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. Our internal valuation specialists also considered whether the Valuers had paid close attention to each property's individual characteristics and the key assumptions used in preparing the valuation reports. We tested the appropriateness of the source data and assumptions used by the Valuers, making inquiries and assessing assumptions for reasonableness and relevance.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties (continued) During the year ended 31 December 2016, the Group changed its accounting policy for investment properties to a fair value basis from a policy based on the cost model. This has been accounted for as a voluntary change in accounting policy in line with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position. Accordingly the prior period balances have been restated to reflect the adjustment to opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. Note 20 to the consolidated financial statements, explains the valuation methodology used by the Group and the critical judgments and estimates and note 2.4 includes the disclosures required under IAS 8 pertaining to change in accounting policy.	We also assessed the Valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. While reviewing management's computations and supporting data in relation to the change in accounting policy for investment properties, we also tested whether the values contained in the valuation reports for investment properties correspond to the values as at the end of each statement of financial position date as reported in the consolidated financial statements. We have reviewed the appropriateness and adequacy of the related disclosures in note 20 and note 2.4 to these consolidated financial statements.
Recognition of deferred tax assets and estimation in respect of uncertain tax positions As at 31 December 2016, the Group has recognised deferred tax assets amounting to US $ 1,091 million (2015: US $ 1,295 million). This was significant to our audit because management judgement is required to assess the recoverability of the balance, in particular by reference to forecast future taxable income. The periods over which the deferred tax assets are expected to be recovered can be extensive. Furthermore, management is required to exercise considerable judgement when determining the appropriate amount to provide in respect of uncertain tax positions, which are generally associated with acquisitions, disposals and other activities in countries where the tax regulations are uncertain or changing. The most significant uncertain tax position relates to the reassessment of taxable income by the Finnish Tax Authorities (FTA), in relation to certain subsidiaries of Borealis AG as outlined in note 41.	In our consideration of deferred tax balances, we have challenged management over the recoverability of their deferred tax asset balances, particularly in light of the depressed oil and gas price environment, changes in tax laws and the downward revision of the long-term price outlook. We performed detailed testing over the tax positions in the significant tax jurisdictions in which overseas subsidiaries conduct operations, including utilising our local tax expertise in those jurisdictions. Procedures included testing the rates applied to calculate provisions and deferred tax balances, and assessing the taxation treatment for impairments recognised during the year ended 31 December 2016 and in prior years.

Key audit matter	*How our audit addressed the key audit matter*
Recognition of deferred tax assets and estimation in respect of uncertain tax positions (continued) The management of the Group is of the opinion that they are in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated. Further details relating to deferred tax assets and uncertain tax positions, are described in notes 12 and 41 respectively to the consolidated financial statements.	We have also reviewed management's probability assessments of the potential outcomes where uncertain tax positions exist, based on communications received from the relevant local tax authorities, precedents of settlements with local tax authorities in similar matters and by applying our local knowledge and experience (including where appropriate, involving our own in-house international transfer pricing experts). We have discussed the tax matters with the internal tax team of the relevant subsidiary in the respective countries and also evaluated the information available in assessing the likelihood of a negative outcome of the tax cases. Our audit procedures included the assessment of the appropriateness of management's judgements and the accounting treatment in the context of the consolidated financial statements for the year ended 31 December 2016. We have also reviewed the adequacy and appropriateness of the related disclosures in note 12 and 41 to the consolidated financial statements.
Litigations and claims The Group is involved in litigation from time-to-time in the ordinary course of business. Legal claims often involve highly complex issues. These issues are subject to substantial uncertainties and, the probabilities of losses and the processes for estimating possible damages are often complex, judgemental and consequently difficult to determine. This was significant to our audit given the inherent uncertainties, magnitude of the potential amounts involved and the extent of management judgement necessarily involved in the determination of relevant provisions and disclosures. The most significant litigations which the Group is facing are claims from The Dow Chemical Company ("Dow Chemical").	We assessed the Group's controls over the identification and reporting of legal matters. We evaluated the Group's assessment of the nature and status of litigation and claims and discussed them with Group management including in-house counsel for certain of the more significant cases. In view of the significance of the amounts and the judgments required in respect of the Dow Chemical and NOVA litigation we reviewed the external legal opinion obtained by management and have discussed it with the general counsel of NOVA and the external counsel advising the Group. While noting the inherent uncertainty with such legal matters, we have challenged management's estimation of the potential liability in the light of the information now available to the Group.

Key audit matter	*How our audit addressed the key audit matter*
Litigations and claims (continued) In December 2010, Dow Chemical filed a statement of claim against NOVA Chemicals Corporation ("NOVA") in the Federal Court in Canada alleging infringements of certain Dow Chemical patents. Following claims and appeals in May 2014, the judge for the Federal Court issued an adverse judgment against NOVA. NOVA's appeal was dismissed in September 2016 and a trial concluded in January 2017. On 20 April 2017 the Federal Court issued its judgment and reasons for the initial damages, providing assumptions and other considerations to be used in calculation of the amount of damages and pre-judgment interest. NOVA has prepared its initial estimate of the amount of damages payable to Dow Chemical and has filed a Notice of Appeal on 5 May 2017. A final decision on the amount of damages is expected by June 2017. Further details about the legal proceedings are described in note 41 to these consolidated financial statements.	We assessed the appropriateness of management's judgement in respect of legal claims and the accounting treatment in the context of the consolidated financial statements for the year ended 31 December 2016. We also reviewed the adequacy and appropriateness of the related disclosures in note 41 to the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;

(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the Board of Director's Report, is consistent with the books of account of the Group;

(v) investments in shares are included in note 21 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2016;

(vi) note 43 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

(vii) note 14 to the consolidated financial statements discloses the social contributions made during the year; and

(viii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016.

PricewaterhouseCoopers
10 May 2017

Mohamed ElBorno
Registered Auditor Number 946
Abu Dhabi, United Arab Emirates

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	***2016*** ***US $ '000***	*2015* *US $ '000* *Restated**
CONTINUING OPERATIONS			
Sales		**33,804,626**	35,808,747
Less: duties and excise taxes		**(2,782,672)**	(2,735,924)
Net sales revenue	13	**31,021,954**	33,072,823
Cost of sales	14	**(25,200,835)**	(31,416,473)
Gross profit		**5,821,119**	1,656,350
Share of post-tax profits (losses) of associates and joint ventures	7	**133,089**	(421,578)
Selling and distribution expenses	14	**(1,926,698)**	(2,015,649)
General and administrative expenses	14	**(1,824,123)**	(2,418,778)
Research and development expenses	14	**(310,210)**	(430,944)
Operating profit (loss)		**1,893,177**	(3,630,599)
Net foreign exchange gains		**428,282**	1,024,835
Impairment of goodwill	19	**(74,373)**	(1,503,392)
Finance income	8	**425,804**	233,768
Finance costs	9	**(884,294)**	(1,040,516)
Other income		**183,847**	129,132
Other expenses		**(7,768)**	(38,991)
(Losses) gains on acquisitions and disposals	10	**(29,344)**	1,509,775
Losses on financial instruments	11	**(813,951)**	(1,087,732)
Profit (loss) before tax from continuing operations		**1,121,380**	(4,403,720)
Income tax (expense) credit	12	**(717,590)**	1,841,488
Profit (loss) for the year from continuing operations		**403,790**	(2,562,232)
DISCONTINUED OPERATIONS			
Loss after tax for the year from discontinued operations	15	**-**	(29,964)
PROFIT (LOSS) FOR THE YEAR		**403,790**	(2,592,196)
Profit (loss) for the year attributable to:			
Equity holder of the parent		**445,948**	(2,649,535)
Non-controlling interests	5	**(42,158)**	57,339
		403,790	(2,592,196)
		US $	*US $*
Basic and diluted profit (loss) per share attributable to equity holder of the parent	16	**127**	(757)

(*) Refer to note 2.4

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016 ***US $ '000***	*2015* *US $ '000* *Restated**
PROFIT (LOSS) FOR THE YEAR	**403,790**	(2,592,196)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange losses on translation of foreign operations	**(353,186)**	(1,477,787)
Net losses arising on hedge of net investments	**(37,010)**	(349,957)
Gains (losses) arising on cash flow hedges	**49,256**	(790)
(Losses) gains arising on cash flow hedges reclassified to profit or loss	**(36,619)**	51,471
Impairment losses on available-for-sale financial assets reclassified to profit or loss	**73,394**	410,531
Net gains (losses) arising on changes in fair value of available-for-sale financial assets	**177,489**	(265,420)
Share of other comprehensive income of associates and joint ventures	**3,477**	59,115
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(123,199)**	(1,572,837)
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:		
Actuarial (losses) gains arising on defined benefit plans	**(75,523)**	28,258
Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods	**(75,523)**	28,258
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(198,722)**	(1,544,579)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**205,068**	(4,136,775)
Total comprehensive income (loss) for the year attributable to:		
Equity holder of the parent	**262,356**	(4,089,297)
Non-controlling interests	**(57,288)**	(47,478)
	205,068	(4,136,775)

(*) Refer to note 2.4

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	***31 December 2016*** ***US $ '000***	*31 December 2015* *US $ '000* *Restated**	*1 January 2015* *US $ '000* *Restated**
ASSETS				
Non-current assets				
Property, plant and equipment	17	**13,603,328**	13,987,016	17,613,006
Intangible assets	18	**2,595,490**	2,784,013	3,450,007
Investment properties	20	**1,863,636**	1,943,485	1,700,515
Investments in associates and joint ventures	7	**8,756,203**	9,150,871	11,880,759
Defined benefit plan asset	30	**46,521**	48,000	-
Deferred tax assets	12	**1,091,356**	1,295,445	896,501
Investments in financial instruments	21	**2,575,355**	2,551,732	3,294,132
Trade and other receivables	22	**246,097**	244,639	128,138
Other non-current assets	23	**6,013,890**	5,604,832	2,742,591
		36,791,876	37,610,033	41,705,649
Current assets				
Inventories	24	**3,180,889**	2,848,168	3,999,581
Trade and other receivables	22	**5,052,795**	5,598,072	5,576,807
Investments in financial instruments	21	**1,389,672**	2,286,825	2,859,394
Other current assets	23	**2,436,836**	2,474,811	1,829,666
Cash and short-term deposits	25	**5,951,053**	5,355,927	5,303,258
		18,011,245	18,563,803	19,568,706
Assets classified as held for sale	15	**25,015**	688,964	3,753,034
		18,036,260	19,252,767	23,321,740
TOTAL ASSETS		**54,828,136**	56,862,800	65,027,389
EQUITY AND LIABILITIES				
Equity attributable to equity holder of the parent				
Share capital	26	**3,500,000**	3,500,000	3,500,000
Shareholder loan	27	**1,000,000**	1,000,000	1,000,000
Retained earnings		**7,910,614**	7,472,314	10,222,104
Other reserves	28	**(3,657,678)**	(3,473,337)	(2,094,645)
		8,752,936	8,498,977	12,627,459
Non-controlling interests	5	**3,028,028**	3,290,334	2,358,299
Net equity		**11,780,964**	11,789,311	14,985,758

(*) Refer to note 2.4
The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2016

	Notes	***31 December 2016*** ***US $ '000***	*31 December 2015* *US $ '000* *Restated**	*1 January 2015* *US $ '000* *Restated**
EQUITY AND LIABILITIES continued				
Non-current liabilities				
Borrowings	29	**22,104,284**	19,507,767	24,006,113
Defined benefit plan liabilities	30	**660,909**	588,472	648,318
Deferred tax liabilities	12	**1,558,390**	1,550,946	3,689,859
Derivative financial liabilities	35	**145,051**	89,854	19,491
Provisions	31	**771,619**	719,713	582,178
Provision for 1MDB guarantees	42	**3,500,000**	3,500,000	-
Trade and other payables	32	**104,674**	90,703	24,044
Other liabilities	34	**319,096**	350,510	427,355
		29,164,023	26,397,965	29,397,358
Current liabilities				
Trade and other payables	32	**6,977,560**	7,432,458	7,888,581
Borrowings	29	**3,573,552**	8,069,415	5,943,450
Other liabilities	34	**3,064,720**	2,403,819	2,214,331
Advances received against assets held for sale		-	-	4,000,000
Derivative financial liabilities	35	**104,633**	213,884	505,984
Provisions	31	**162,684**	188,614	91,927
		13,883,149	18,308,190	20,644,273
Liabilities classified as held for sale	15	**-**	367,334	-
		13,883,149	18,675,524	20,644,273
Total liabilities		**43,047,172**	45,073,489	50,041,631
TOTAL EQUITY AND LIABILITIES		**54,828,136**	56,862,800	65,027,389

CHAIRMAN MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

(*) Refer to note 2.4

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to equity holder of the parent						
	Share capital US $ '000	*Shareholder loan US $ '000*	*Retained earnings US $ '000*	*Other reserves US $ '000*	*Total US $ '000*	*Non-controlling interests US $ '000*	*Total equity US $ '000*
Balance at 1 January 2015 (*Reported*)	3,500,000	1,000,000	11,486,811	(2,094,645)	13,892,166	2,358,299	16,250,465
Restatement (note 2.4)	-	-	(1,264,707)	-	(1,264,707)	-	(1,264,707)
Balance at 1 January 2015 *(Restated)*	3,500,000	1,000,000	10,222,104	(2,094,645)	12,627,459	2,358,299	14,985,758
(Loss) for the year	-	-	(2,649,535)	-	(2,649,535)	57,339	(2,592,196)
Other comprehensive loss for the year	-	-	-	(1,439,762)	(1,439,762)	(104,817)	(1,544,579)
Total comprehensive loss for the year	-	-	(2,649,535)	(1,439,762)	(4,089,297)	(47,478)	(4,136,775)
Dividends paid to non-controlling shareholders	-	-	-	-	-	(63,276)	(63,276)
Acquisition of additional interest in a subsidiary (note 4.1)	-	-	-	-	-	1,056,110	1,056,110
Acquisition of preference shares of a subsidiary	-	-	(8,213)	-	(8,213)	(13,324)	(21,537)
Movement in other reserves	-	-	(92,042)	61,070	(30,972)	3	(30,969)
Balance at 31 December 2015 *(Restated)*	3,500,000	1,000,000	7,472,314	(3,473,337)	8,498,977	3,290,334	11,789,311
Profit (loss) for the year	-	-	445,948	-	445,948	(42,158)	403,790
Other comprehensive (loss) income for the year	-	-	-	(183,592)	(183,592)	(15,130)	(198,722)
Total comprehensive income (loss) for the year	-	-	445,948	(183,592)	262,356	(57,288)	205,068
Dividends paid to non-controlling shareholders	-	-	-	-	-	(230,669)	(230,669)
Acquisition of additional interest in a subsidiaries (note 4.1)	-	-	(5,240)	-	(5,240)	(5,178)	(10,418)
Disposal of interest in a subsidiary	-	-	(727)	-	(727)	11,511	10,784
Movement in other reserves	-	-	(1,681)	(749)	(2,430)	19,318	16,888
Balance at 31 December 2016	**3,500,000**	**1,000,000**	**7,910,614**	**(3,657,678)**	**8,752,936**	**3,028,028**	**11,780,964**

(*) Refer to note 2.4

The attached notes 1 to 44 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2016

	Notes	2016 US $ '000	2015 US $ '000 Restated
OPERATING ACTIVITIES			
Profit (loss) before tax for the year from continuing operations		**1,121,380**	(4,403,720)
Loss before tax for the year from discontinued operations		**-**	(26,125)
Profit (loss) before tax		**1,121,380**	(4,429,845)
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	14	**1,712,587**	2,058,802
Net impairment of property, plant and equipment and intangible assets	14	**187,811**	4,866,765
Fair value losses on investment properties	20	**92,748**	155,363
Losses (gains) on acquisitions and disposals	10	**29,344**	(1,509,775)
Other losses on financial instruments	11	**813,951**	1,087,732
Finance income	8	**(425,804)**	(233,768)
Finance costs	9	**884,294**	1,040,516
Unrealised foreign exchange difference		**(490,736)**	(1,077,311)
Share of post-tax (profits) losses of associates and joint ventures	7	**(133,089)**	421,578
Movements in pensions, provisions and other liabilities		**63,452**	224,076
Reversal of previously recognised impairment losses on inventories	14	**(377,373)**	(179,901)
Net provision for impairment of other assets	14	**-**	756,921
Other non-cash adjustments		**17,207**	(82,772)
		3,495,772	3,098,381
Working capital changes:			
Inventories		**(52,604)**	994,868
Trade and other receivables		**(391,340)**	1,510,379
Trade and other payables		**935,392**	(1,039,278)
Other assets and liabilities		**(226,357)**	(87,732)
		3,760,863	4,476,618
Income tax paid		**(420,327)**	(564,337)
Net cash generated from operating activities		**3,340,536**	3,912,281
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3.1	**(20,222)**	236,717
Purchase of financial instruments		**(448,593)**	(449,465)
Purchase of derivative financial instruments		**-**	(3,850)
Acquisition of associates and joint ventures		**(90,468)**	(28,754)
Acquisition of interest in existing subsidiaries		**(4,363)**	(89,603)
Return of capital from an associate		**-**	47,786
Purchase of property, plant and equipment and intangible assets		**(1,693,992)**	(2,519,982)
Proceeds from sale of property, plant and equipment and intangible assets		**128,121**	82,402
Proceeds from sale financial instruments		**972,617**	522,993
Proceeds from sale of derivative financial instruments		**332,155**	15,798
Advance received against asset held for sale	15	**27,046**	1,200,000
Net advances paid on investment properties		**-**	(85,756)
Advance paid against non-current assets	42	**(102,725)**	(1,102,724)
Interest received		**61,458**	28,639
Dividends received		**335,927**	303,235
Receipts on other assets		**162,747**	234,960
Net cash used in investing activities		**(340,292)**	(1,607,604)
FINANCING ACTIVITIES			
Proceeds from borrowings		**7,356,133**	5,210,935
Repayments of borrowings		**(8,691,441)**	(6,309,964)
Interest paid		**(767,356)**	(923,664)
Dividends paid to non-controlling shareholders		**(230,669)**	(63,276)
Net cash used in financing activities		**(2,333,333)**	(2,085,969)
INCREASE IN CASH AND CASH EQUIVALENTS		**666,911**	218,708
Net foreign exchange difference		**(71,785)**	(166,039)
Cash and cash equivalents at 1 January		**5,355,927**	5,303,258
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	**5,951,053**	5,355,927

The attached notes 1 to 44 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

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

The principal activity of the Company is to invest, on a long-term basis, in overseas energy and energy-related assets and to undertake infrastructure projects. Additionally the Company's subsidiary, Aabar Investments PJS ("Aabar"), a diversified investment company, with investments across a broad range of sectors including aerospace, construction, commodities, financial services and real estate. The principal activities of the Company and its subsidiaries (the "Group") are further described in note 4.1.

On 19 January 2017, His Highness Sheikh Khalifa Bin Zayed Al Nahyan, as the Ruler of Abu Dhabi, issued a law creating Mubadala Investment Company, a company wholly owned by the Government of Abu Dhabi. Mubadala Investment Company will comprise both International Petroleum Investment Company ("IPIC") and Mubadala Development Company ("MDC") and their respective assets. This law formalises the 29 June 2016 announcement that IPIC and Mubadala would merge, a strategic decision intended to create an international investment powerhouse for Abu Dhabi.

The consolidated financial statements for the year ended 31 December 2016 were approved by the Board of Directors on 10 May 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

2.2 STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable requirements of the UAE Federal Law No. (2) of 2015.

The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No. 8 of 1984. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before 30 June 2017.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 BASIS OF CONSOLIDATION continued

Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Total comprehensive income within subsidiary is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investments retained are recognised at fair value.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the year, the Group changed its accounting policy with respect to the subsequent measurement of investment properties from the cost model to fair value model. As a result the Group will not record the depreciation and impairment (if any) on its investment properties and will record change in the fair value in profit and loss. The Group believes that subsequent measurement using fair value model provides more appropriate representation of the substance of these assets.

The impact of the change in accounting policy from the cost model to fair value model was significant and therefore it is adjusted in the current and prior year financial statements based on relevant year fair value of investment properties. Detailed analysis of impact on financial statements due to change in accounting policy is provided in the table below:

	1-Jan-15 USD '000	*Increase (decrease) USD '000*	*(Restated) 1-Jan-15 USD'000*
Consolidated statement of financial position (extract)			
Property, plant and equipment*	17,514,642	98,364	17,613,006
Investment properties	2,558,958	(858,443)	1,700,515
Other non-current assets (Advances against investment properties)	3,247,219	(504,628)	2,742,591
Net changes in total assets		(1,264,707)	
Retained earnings	11,486,811	(1,264,707)	10,222,104
Net changes in total equity		(1,264,707)	

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

	31-Dec-15 USD '000	*Increase (decrease) USD '000*	*(Restated) 31-Dec-15 USD'000*
Consolidated statement of financial position (extract)			
Property, plant and equipment*	13,891,507	95,509	13,987,016
Investment properties	2,897,283	(953,798)	1,943,485
Other non-current assets (Advances against investment properties)	5,975,781	(370,949)	5,604,832
Net changes in total assets		(1,229,238)	
Retained earnings	8,701,552	(1,229,238)	7,472,314
Net changes in total equity		(1,229,238)	

*During 2016, management of the Company reassessed the classification of IPIC building and hence reclassified from investment properties to property, plant and equipment retrospectively.

	31-Dec-15 USD '000	*(Increase) decrease USD '000*	*(Restated) 31-Dec-15 USD'000*
Consolidated statement of profit or loss (extract)			
Net sales revenue*	35,808,747	(2,735,924)	33,072,823
Cost of sales*	(34,147,410)	2,730,937	(31,416,473)
General and administrative expenses	(2,459,234)	40,456	(2,418,778)
Net changes in profit and loss		35,469	
Loss for the year	(2,627,665)	35,469	(2,592,196)
Loss attributable to:			
Equity holders of the parent	(2,685,004)	35,469	(2,649,535)
Non-controlling interests	57,339	-	57,339
	(2,627,665)	35,469	(2,592,196)
Total comprehensive loss	(4,172,244)	35,469	(4,136,775)
Total comprehensive loss attributable to:			
Equity holders of the parent	(4,124,766)	35,469	(4,089,297)
Non-controlling interests	(47,478)	-	(47,478)
	(4,172,244)	35,469	(4,136,775)

* Net sales revenue sales and cost of sales are net of duties and excise taxes amounting to US $ 2,735,924 thousand.

2.5 STANDARDS AND INTERPRETATIONS

2.5.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following amendments to IFRS are effective as of the beginning of the year:

- IFRS 11 Accounting for Acquisition of Interest in Joint Arrangements – Amendments to IFRS 11
- **Annual Improvements 2012-2014 Cycle**
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosure
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
  - Amendments to IAS 1: Disclosure Initiative
  - Amendments to IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
  - Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
  - Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
  - Amendments to IAS 27: Equity Method in Separate Financial Statements

Adoption of the above amended IFRS and improvements to IFRS did not have any significant impact on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.5 STANDARDS AND INTERPRETATIONS continued

2.5.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards and amendments to standards which were issued up to the date of the issuance of these consolidated financial statements and are not yet effective for the year ended 31 December 2016 have not been applied while preparing these consolidated financial statements:

IFRS 9 Financial Instruments
IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS9 includes revised guidance on the classification and measurement of financial instruments, new expected created loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

Amendments to IAS 12 Income Taxes
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, and IFRS 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

IFRS 16 Leases
The International Accounting Standards Board has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is currently assessing the impact of IFRS 16 on the consolidated financial statements.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 7: Statement of Cash Flows

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments
In the process of applying the Group's accounting policies, management has made the following significant judgments, in 2016, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of Arabtec Holding PJSC ("Arabtec") (de facto control)
The Group, through its subsidiary Aabar, considers that it has de-facto control over Arabtec even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Arabtec with 36.11% equity interest, with the remaining equity shares being held by many other shareholders. On 1 June 2015, the Group's attendance at Arabtec's annual general meeting was in simple majority. From 30 April 2015, the Group concluded that Aabar acquired de facto control of Arabtec, and since then there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Recognition of deferred tax assets
The Group recognises deferred tax assets when it is more likely that its subsidiaries, either individually or on a consolidated basis, will have sufficient future taxable profits that could be utilised to recover deductible temporary difference and unused carried forward losses/credits. At each closing date, the consolidated subsidiaries reassess recognised deferred tax assets to verify that they still qualify for recognition and they make the appropriate adjustments on the basis of the outcome of the analyses performed. These analyses are based on:

(i) The assessment of earnings estimates for each entity or tax group in accordance with their individual business plans and the Group's overall strategic plan; and
(ii) The statute of limitations period and other utilisation limits imposed under prevailing legislation in each country for the recovery of the tax credits.

The Group assessed to recognise deferred tax asset based on the best estimate of the subsidiaries' future earnings, including certain tax planning measures and it is highly probable that the recognised deferred tax asset will be recovered.

Other significant judgements that the Group made, are disclosed within specific notes to the consolidated financial statements, including but not limited to note 4.3 accounting for RHB and Abu Dhabi Oil Co. as associates, note 4.3 disclosures of material associates, note 21.2 accounting of Cosmo as an available-for-sale investment, note 27 shareholder loan, note 20 investment properties and note 42 1Malaysia Development Berhad ("1MDB") transactions.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Percentage-of-completion and cost to complete estimates of construction contracts

The Group uses the percentage-of-completion method in accounting for its construction contracts. At each reporting date, the Group is required to estimate stage of completion and costs to complete on its construction contracts. These estimates require the Group to make estimates of future costs to be incurred, based on work to be performed beyond the reporting date. These estimates also include the cost of potential claims by subcontractors and the cost of meeting other contractual obligations to the customers. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts. The Group uses its commercial teams together with project managers to estimate the costs to complete of construction contracts. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Contract variations

Contract variations are recognised as revenues only to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of estimating the value of variations based on management's prior experience, application of contract terms and the relationship with the customers.

Contract claims

Contract claims are recognised as revenue only when management believes that an advanced stage of negotiation has been reached and the revenue can be estimated with reasonable certainty. The amount of claim recognised as part of the revenue for the year is US $ 156,569 thousand (31 December 2015: US $ 93,397 thousand). Management reviews the judgement related to these contract claims periodically and adjustments are made in the future periods, if assessments indicate that such adjustments are appropriate.

Reserves base

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

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

Impairment of investments of quoted associates

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The uncertain tax positions, for example tax disputes, are accounted for by applying the most likely amount. The most likely amount is the single most likely amount in a range of realistically possible options. The Group evaluates the unit of account related to the uncertain tax positions on a case-by-case basis. Further details on taxes are disclosed in note 12.

Pensions and other post-employment benefits

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

In determining the appropriate discount rate, management considers the yields of high quality corporate bonds in the respective country, with terms to maturity that approximate the duration or match the projected cash flows to the Group's pension obligations. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on the Group's long-term view of compensation trends and pension indexation is based on expected future inflation rates for the respective country. Further details about the assumptions used are given in note 30.

Provision for decommissioning

The Group recognised a provision for decommissioning obligations associated with its manufacturing facilities. In determining the amount of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the facility, restore the site, and the expected timing of those obligations. See Note 31.

Legal claims and contingencies

When assessing the possible outcomes of legal claims and contingencies, the Group rely on the opinions of the legal counsel. The opinions of the Group's legal counsel are based on the best of their professional judgment and take into consideration the current stage of the proceedings and legal experience accumulated with respect to the various matters. As the results of the claims may ultimately be determined by courts, or otherwise settled, they may be different from such estimates. Further details on legal claims and contingencies are disclosed in note 41.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be an asset or liability will be recognised, in accordance with IAS 39, in profit or loss. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with appropriate IFRS.

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

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

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

A contingent liability recognised in business combination is initially measured at its fair value. Subsequently, it is measured at the higher amount that would be recognised in accordance with the requirements for provisions in IAS 37 or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements of revenue recognition.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

Fair value measurement
The Group measures financial instruments such as financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties, are disclosed in note 20 and note 36.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred and amount of revenue in respect of the transaction can be measured reliably.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Construction contract revenue
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work are recognised to the extent that it is probable that they will result in revenue and such revenue can be reliably measured, while contract claims and incentive payments are included only to the extent that they have been agreed with the customer.

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

Losses on contracts are assessed on an individual contract basis. When it is probable that total contract costs will exceed total contract revenue, total expected loss is recognised as an expense immediately, as soon as foreseen, whether or not work has commenced on these contracts.

Due from customers or contract work-in-progress is stated at cost plus attributable profit, less provision for any anticipated losses and progress payments received and receivable. Where these payments received and receivable for any contract exceed the cost plus attributable profit or less anticipated losses, the excess is shown as due to customers or excess billings.

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

Licensing
Revenue from the sale of technology licenses is recognised in accordance with the completion of milestones in the relevant contracts.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued
Dividend income
Dividend revenue from investments is recognised when the Group's right to receive payment has been established.

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

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

Construction contract cost
Construction cost comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, construction cost includes other costs that are specifically chargeable to the customer under the terms of the contracts.

Costs that cannot be related to construction activity or cannot be allocated to a contract are excluded from the costs of the construction contracts and are in general and administrative expenses.

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

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

Deferred income tax
Deferred income tax is provided using the liability method. Under liability method, deferred tax is calculated based on the differences between assets and liabilities reported for financial accounting purposes and those reported for income tax purposes.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Refer to notes 2.6 and 31 for further information about the measurement of the decommissioning provision.

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

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

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

Land is not depreciated.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Oil and Gas properties

Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and production assets

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

- *Exploration costs in area with unproven reserves*

Exploration costs, prior to well drilling, are charged to profit or loss as incurred. Acquisitions of exploration rights are capitalized and feasibility analyses and impairment tests, if any, are performed periodically on a field-by-field basis based on the results of exploration. Exploration rights are amortized over a period not exceeding the term of contract.

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

- *Investments in areas with proven reserves*

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

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

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

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

Leases

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

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

Group as a lessee

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

Investment properties
Investment properties comprise completed properties and properties under development. Completed properties are properties held to earn rentals and / or for capital appreciation and properties under development are properties being constructed or developed for future use as investment property.

Investment properties are measured initially at cost including transaction costs and for properties under development all direct costs attributable to the design and construction. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Upon completion of construction or development, a property is transferred from properties under development to investment properties.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statements of profit or loss in the period in which the property is derecognised.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Greenhouse gas emissions
In the absence of a current IFRS standard or interpretation on accounting for greenhouse gas emissions, the following principles have been applied:

- Emission rights granted free of charge are accounted for at market price prevailing at the beginning of the year to which it relates and are recognized with a credit to other liabilities;
- Emission rights acquired from the market are measured at acquisition cost;
- Liabilities resulting from potential differences between available quotas and quotas to be delivered at the end of the compliance period are accounted for as liabilities and measured at acquisition cost;
- Spot market transactions are recognized in income at cost.

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

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

Inventories
Inventories are valued at the lower of cost or net realizable value (taking into account future price developments). Valuation of crude oil, oil derivatives and petrochemical products, acquired as raw materials, are measured at the lower of weighted average cost and net realizable value. Cost is determined on first-in first-out basis (FIFO method), except for spare parts and supplies which are determined based on weighted average cost.

In case of refinery products, the costs are allocated to income in proportion to the selling price of the related products due to the complexity of allocating production costs to each item.

Cost includes purchase cost, freight, insurance and other related expenses incurred in bringing the inventories to their present condition and location. Cost also comprises directly attributable productions costs and a proportionate share of fixed and variable overhead production costs. Allocated overhead costs are primarily calculated based on normal capacity utilisation. Financing costs are not included in production costs.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

When the Group receives grants of mon-monetary assets, the asset and the grant are recorded at nominal amounts and released to consolidated profit or loss over expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying assets by equal annual instalments.

Provisions and contingent liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Refer to note 31 for further information about provisions.

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

Decommissioning provision
Provisions for decommissioning costs are recognized at the time of acquisition or construction of manufacturing facilities. Decommissioning liabilities are provided at the present value of the expected costs to settle the obligation and are recognized as part of the cost of the particular asset. The expected costs are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability (which the Group interpret to be a risk-free rate). The unwinding of the discount is recognized in the consolidated statement of profit or loss in finance costs, net as it occurs. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Legal provisions and contingent liabilities

The Group is involved in litigation from time-to-time in the ordinary course of business. At each reporting date, the Group evaluates litigation matters and review with the Group's legal department and external counsel, the status of various outstanding legal cases and, where appropriate, establish provisions and disclose any contingent liabilities as required by IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* In order to make an assessment for legal provisions and contingent liabilities, the Group considers various factors including, but not limited to, reviewing, on a case-by-case basis, the underlying facts of pending or threatened litigation, the Group's history with prior claims, the actual or possible claim assessment by internal and external counsel and the status of negotiations.

Based on the Group's overall assessment of the case, if the Group believe it is probable that an outflow of resources will be required to settle the obligation, the Group then determines whether a reliable estimate can be made. If so, the Group makes an estimate of the provision under various scenarios, ranging from best case to worst case. The Group uses the "best estimate" outcome and records a provision in the consolidated financial statements.

The Group does not recognize contingent liabilities, but discloses contingent liabilities, unless the possibility of an outflow of resources is remote. Also, to the extent any information required is not disclosed because it is not practicable to do so, that fact is stated.

If disclosure of some or all of the information is expected to prejudice seriously the Group's position in a dispute with other parties on the subject matter of a provision or contingent liability, the Group does not disclose such information, but does disclose the general nature of the dispute, together with the fact that, and the reason why, the information has not been disclosed.

Pensions and other post-employment benefits

Employees' end of service benefits

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

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

Defined benefit plans

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

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

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

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans, borrowings, customer deposits and other amounts due to banking customers

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

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

Financial guarantee contracts

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derecognition of financial assets and liabilities continued
Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting continued

Fair value hedges

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

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

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

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

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

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

Hedges of a net investment

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

3 BUSINESS COMBINATIONS

There were no significant business combinations undertaken by the Group during the year ended 31 December 2016.

3.1 2015 BUSINESS COMBINATIONS

The Group made two acquisitions during the year ended 31 December 2015, which are further described below :

From the date of acquisitions to 31 December 2015, the acquired entities (see notes 3.1.1 to 3.1.2 below) have contributed US $ 1,522,330 thousand to the revenue and US $ 429,851 thousand to the loss for the year ended 31 December 2015 of the Group. If the business combinations had taken place at 1 January 2015, the Group's revenue would have been US $ 36,413,682 thousand and the Group's net loss for the year would have been US $ 2,283,291 thousand.

3.1.1 Acquisition of Arabtec

On 30 April 2015, Aabar gained de facto control of Arabtec (see note 2.6), a public joint stock company registered and incorporated in the Emirate of Dubai, United Arab Emirates ("UAE"). Arabtec is engaged in construction of high-rise towers, buildings and residential units, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of ready mix concrete and construction equipment supply and rental. Aabar's shareholding in Arabtec as at 31 December 2015 was 36.11%.

The business combination has been accounted for using the acquisition method. The consolidated financial statements include the results of Arabtec from the acquisition date.

3 BUSINESS COMBINATIONS continued

3.1 2015 BUSINESS COMBINATIONS continued

3.1.1 Acquisition of Arabtec continued

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

	Fair value recognised on acquisition AED '000	*Fair value recognised on acquisition US $ '000*
Assets		
Property, plant and equipment	**1,034,874**	**281,790**
Intangibles	**1,519,269**	**413,688**
Investments properties	**652,380**	**177,639**
Investments in associates	**280,149**	**76,283**
Trade receivables	**8,050,698**	**2,192,157**
Other assets	**857,940**	**233,611**
Cash and cash equivalents	**892,246**	**242,953**
Assets classified as held for sale	**1,529,021**	**416,343**
	14,816,577	**4,034,464**
Liabilities		
Borrowings	**(1,294,757)**	**(352,555)**
Trade payables	**(6,285,919)**	**(1,711,619)**
Other liabilities	**(208,873)**	**(56,875)**
Liabilities directly associated with assets held for disposal	**(1,067,905)**	**(290,784)**
	(8,857,454)	**(2,411,833)**
Total identifiable net assets at fair value	**5,959,123**	**1,622,631**
Non-controlling interest	**(3,794,460)**	**(1,033,209)**
Goodwill arising from business combination	**2,535,238**	**690,330**
Cost of business combination	**4,699,901**	**1,279,752**

3 BUSINESS COMBINATION continued

3.1 2015 BUSINESS COMBINATIONS continued

3.1.1 Acquisition of Arabtec continued

The fair value of the consideration has been determined by Aabar as the aggregate of the fair value of the 36.11% equity interest held (measured at the quoted market price on 30 April 2015). Non-controlling interests were measured at the fair value of the net assets acquired often referred to as partial goodwill approach.

The Group also acquired cash amounting to US $ 242,953 thousand as a result of this acquisition.

The residual goodwill of US $ 690,330 thousand partially relates to the workforce which is valued at US $157,931 thousand but not recognised separately as an intangible asset in accordance with IFRS 3. Subsequent assessment of goodwill based on the fair value of Arabtec Holding PJSC resulted in an impairment of US $ 560,841 thousand (see note 19).

3.1.2 Acquisition of CEPSA Chimie Bécancour

On 15 July 2015, CEPSA acquired the remaining 49.0% stake in CEPSA Chimie Bécancour from Investissement Québec. The fair value of the property, plant and equipment acquired amounted to US $ 5,808 thousand. The cost of business combination, net of cash acquired was US $ 6,236 thousand. There was no goodwill recorded on the acquisition.

Together with 51% already owned before the acquisition, CEPSA became 100% owner of CEPSA Chimie Bécancour. CEPSA Chimie Bécancour is a producer of markets alkyl benzene (LAB), a raw material used for the manufacture of biodegradable detergents.

4 GROUP INFORMATION

4.1 Interests in subsidiaries

The consolidated financial statements include the financial statements of the Company and each of its subsidiaries as at 31 December 2016. The significant subsidiaries of the Company are listed in the following table:

Name of company	*Country of incorporation*	*Percentage holding*	
		31 December 2016	*31 December 2015*
Borealis AG ("Borealis")	Austria	**64%**	64%
Aabar Investments PJS ("Aabar")	United Arab Emirates	**98.52%**	98.46%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	**100%**	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	**100%**	100%
Falcon Private Bank Ltd. ("Falcon Private Bank")	Switzerland	**100%**	100%
Arabtec Holding PJSC ("Arabtec") (note 4.1)	United Arab Emirates	**36.11%**	36.11%

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

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

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

4 GROUP INFORMATION continued

4.1 Interests in subsidiaries continued

Aabar
Aabar is a private joint stock company registered and incorporated in Abu Dhabi, United Arab Emirates ("UAE") and is engaged in investing activities in various growth industries. During 2016, the Company acquired additional 0.06% interest acquired interest in Aabar (2015: 0.15% interest acquired) for a price of AED 1.95 per share (2015: AED 1.95 per share).

Falcon Private Bank
Falcon Private Bank is wholly owned by Aabar and registered in Zurich, Switzerland and operates in the private banking sector. Its main activities comprise the provision of investment advisory services, asset and fund management for private clients as well as the trading and lending activities associated with these activities. Falcon Private Bank also conducts proprietary trading activities, mainly in foreign exchange and exchange-quoted debt instruments.

Arabtec
Arabtec is a public joint stock company registered and incorporated in Dubai, United Arab Emirates ("UAE"). Its shares are listed on Dubai Financial Market ("DFM"). Arabtec is engaged in construction of high-rise towers, buildings and residential units, in addition to the execution of related services such as drainage, electrical and mechanical works, provision of ready mix concrete and construction equipment supply and rental (see note 3.1.1).

4.2 Interests in joint operations

The Group has the following significant investments, through CEPSA, in certain oil and gas exploration assets and activities, which are accounted for as interests in joint operations:

Name	*Country*	*Operator*	*Activity*	*% of ownership*	
				31 December 2016	*31 December 2015*
				%	*%*
Ourhoud	Algeria	Sonatrach	Research and Production	**39.76%**	39.76%
Timimoun	Algeria	Total Exploration & Production Algeria	Research and Production	**11.25%**	11.25%
BMS	Algeria	Hess ReR	Research and Production	**45.00%**	45.00%
Block CE-M-717	Brazil	Premier Oil	Exploration	**50.00%**	50.00%
Block CE-M-665	Brazil	Premier Oil	Exploration	**50.00%**	50.00%
Tiple	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Garibay	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Jilguero	Colombia	Cepsa Colombia	Exploration	**54.60%**	54.60%
Puntero - Manatus	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
Merecure	Colombia	Cepsa Colombia	Exploration	**70.00%**	70.00%
El Porton	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Lianos 22	Colombia	Cepsa Colombia	Exploration	**55.00%**	55.00%
Cebucan	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Balay	Colombia	Petrobras	Exploration	**30.00%**	30.00%
Cpo 14	Colombia	Metapetroleum	Exploration	**37.50%**	37.50%
Cpo 12	Colombia	Metapetroleum	Exploration	**42.50%**	42.50%
Rio Paez	Colombia	Hocol	Exploration	**16.67%**	16.67%
San Jacinto	Colombia	Hocol	Exploration	**16.67%**	16.67%
PPN	Colombia	Gran Tierra	Exploration	**30.00%**	30.00%
CPE-3	Colombia	Cepsa Colombia	Exploration	**50.00%**	50.00%
Caracara	Colombia	Cepsa Colombia	Research and Production	**70.00%**	70.00%
CPR Espinal	Colombia	Petrobas	Research and Production	**16.67%**	16.67%
Block 127	Peru	Cepsa Peru SA	Exploration	**80.00%**	80.00%
Block 114	Peru	Cepsa Peru SA	Exploration	**60.00%**	60.00%
Block 131	Peru	Cepsa Peru SA	Exploration	**70.00%**	70.00%
Rodaballo	Spain	Repsol	Research and Production	**15.00%**	15.00%
Casablanca	Spain	Repsol	Research and Production	**7.40%**	7.40%
Montanazo	Spain	Repsol	Research and Production	**7.25%**	7.25%
Boqueron	Spain	Repsol	Research and Production	**4.50%**	4.50%

4 GROUP INFORMATION continued

4.2 Interests in joint operations continued

Further, through the consolidation of Arabtec (see note 3.1.1), the Group has the following significant investments in certain construction assets and activities, which are accounted for as interests in joint operations:

Name	*Country*	*% of ownership*	
		31 December 2016	*31 December 2015*
		%	*%*
Samsung/Arabtec	UAE	**40.00%**	40.00%
Six Contruct/Arabtec	UAE	**50.00%**	50.00%
Samsung/Six Contruct/ Arabtec	UAE	**50.00%**	30.00%
Arabtec/Max Bogl	UAE	**50.00%**	50.00%
Arabtec/Aktor joint operation projects	UAE	**60.00%**	60.00%
Arabtec/ Emirates Sunland	UAE	**50.00%**	50.00%
Arabtec/WCT Engineering	UAE	**50.00%**	50.00%
Arabtec/Engineering and Construction Company	Jordan	**50.00%**	50.00%
Arabtec/Dubai Contracting Company	UAE	**50.00%**	50.00%
Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE	UAE	**65.00%**	65.00%
Arabtec Engineering Services/ WCT Engineering	UAE	**50.00%**	50.00%
Arabian Construction Company/ Arabtec	Syria	**50.00%**	50.00%
Arabtec/National Projects and Construction	UAE	**50.00%**	50.00%
Arabtec/Al Isaad	KSA	**66.66%**	66.66%
Arabtec/Combined Group Contracting Company	Kuwait	**60.00%**	60.00%
TAV/CCC/Arabtec	UAE	**33.00%**	33.00%
Oger Abu Dhabi LLC/ Constructora San Jose SA/ Arabtec	UAE	**33.00%**	33.00%
CCC/Arabtec	Kazakhstan	**50.00%**	50.00%
ATC/CCC/DSC Joint Venture Limited	Jordan	**33.00%**	33.00%
ATC/SIAC Joint operations projects	Egypt	**55.00%**	55.00%
ATC/Constructora San Jose SA	UAE	**50.00%**	50.00%
EFECO/ACC	Kazakhstan	**40.00%**	40.00%
Arabtec Al Mukawilon	Palestine	**60.00%**	60.00%
ACC/ Arabtec Joint operations	Lebanon	**50.00%**	50.00%

In addition, at 31 December 2016 the Group, through NOVA, also held a 50 % (31 December 2015: 50%) interest in an ethylene plant and a 20% (31 December 2015: 20%) interest in a cogeneration facility located in Alberta, Canada.

4.3 Investments in associates

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

Name	*Country*	*% of ownership*	
		31 December 2016	*31 December 2015*
		%	*%*
Abu Dhabi Polymers Company Limited ("Borouge")	United Arab Emirates	**40.00%**	40.00%
Pak-Arab Refinery Limited ("PARCO")	Pakistan	**40.00%**	40.00%
OMV AG ("OMV")	Austria	**24.90%**	24.90%
RHB Capital Berhad ("RHB Capital")	Malaysia	**17.75%**	17.75%
Galactic Ventures LLC ("Virgin Galactic")	British Virgin Islands	**28.40%**	32.86%
APICO LLC ("APICO")	USA	**39.00%**	39.00%
Cosmo Abu Dhabi Energy Exploration & Production Co. Ltd ("Abu Dhabi Oil Co.")	United Arab Emirates	**12.88%**	12.84%

4 GROUP INFORMATION continued

4.3 Investments in associates continued

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

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

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

RHB
RHB Capital is incorporated in Kuala Lumpur, Malaysia. The principal activity of RHB is investment holding. It is involved in commercial banking, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services. RHB is the holding company of RHB Banking Group, one of the largest fully integrated financial products and services providers in Malaysia. The Group's ownership percentage is 17.75 % at 31 December 2016 (17.75% at 31 December 2015). During 2015, the Group's ownership percentage decreased to 17.75 % from 21.22% at 31 December 2014 as a result of RHB's additional stock issuance in the form of rights issue and dividend capitalisation scheme. The Group has concluded that RHB continues to be treated as an associate because it still exerts significant influence on RHB through its shareholding and active participation in the board of directors.

Virgin Galactic
Galactic Ventures LLC is based in California, United States of America. It develops passenger-carrying suborbital space vehicles which will provide commercial spaceflight services. The Group's ownership percentage 32.86% at 31 December 2016 (32.86% at 31 December 2015) as a result of conversion of certain preferred shares into common shares.

APICO LLC
APICO was incorporated in Delaware, United States of America and is a privately owned company. The principal activities of APICO are exploration and production of gas and power in North Eastern Thailand. The company was acquired as part of the acquisition of Coastal Energy Company ("Coastal") in 2014.

Abu Dhabi Oil Co.
Abu Dhabi Oil Co. was incorporated in Abu Dhabi, United Arab Emirates ("UAE") and is a partnership between CEPSA and Cosmo Oil Ltd. in the oil exploration and production business in Abu Dhabi. In 2015, CEPSA reclassified its investment in Abu Dhabi Oil Co. from available-for-sale investment to investment in associate.

Abu Dhabi Oil Co. is an associate of CEPSA despite CEPSA's ownership of only 12.88%. Significant influence is generally deemed to be exercised over companies which are more than 20% owned. Although the ownership interest in Abu Dhabi Oil Co is lower than 20%, significant influence is exercised because, among other factors, CEPSA is represented on Abu Dhabi Oil Co's board of directors.

4 GROUP INFORMATION continued

4.4 Investments in joint ventures

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

Name	*Country*	*% of ownership*	
		31 December 2016	*31 December 2015*
		%	*%*
Medgaz, S.A.	Spain	**42.09%**	42.09%

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

5 MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interest ("NCI") are provided below:

		2016			*2015*		
	Country of incorporation and operations	***Percentage holding***	***Profit (loss) allocated to NCI US $ '000***	***Accumulated NCI US $ '000***	*Percentage holding*	*Profit allocated to NCI US $ '000*	*Accumulated NCI US $ '000*
Subsidiary:							
Borealis	Austria	**36.00%**	**440,072**	**2,471,340**	36.00%	395,006	2,239,432
Arabtec	United Arab Emirates	**63.89%**	**(490,185)**	**252,710**	63.89%	(304,558)	728,429
Others	-		**92,271**	**303,978**	-	(33,109)	322,473
			(42,158)	**3,028,028**		57,339	3,290,334

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

Arabtec
On 30 April 2015, Aabar (98.46 % owned by the Company) gained de facto control of Arabtec (see note 3.1.1). As at 31 December 2015, Aabar's shareholding in Arabtec was 36.11% and the 63.89% non-controlling interest is owned by a diverse number of shareholders.

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

	Borealis		*Arabtec*	
	2016 US $ '000	***2015 US $ '000***	*2016 US $ '000*	*2015 US $ '000*
Summarised statement of profit or loss:				
Revenue	**7,988,052**	8,550,019	**2,221,288**	1,976,198
Profit (loss) for the year	**1,225,598**	1,097,051	**(956,086)**	(759,417)
Other comprehensive income	**128,877**	328,659	**6,536**	5,952
Total comprehensive income (losses)	**1,354,475**	1,425,710	**(949,550)**	(753,465)
Dividend paid to non-controlling interests	**190,403**	41,281	**-**	1,340

5 MATERIAL PARTLY-OWNED SUBSIDIARIES continued

	Borealis		*Arabtec*	
	2016 US $ '000	***2015 US $ '000***	*2016 US $ '000*	*2015 US $ '000*
Summarised statement of financial position:				
Non-current assets	**7,470,537**	7,317,496	**770,377**	804,121
Current assets	**2,974,664**	2,741,378	**1,980,477**	2,717,090
Non-current liabilities	**(1,838,417)**	(2,236,514)	**(247,741)**	(209,111)
Current liabilities	**(1,755,635)**	(1,614,154)	**(2,571,376)**	(2,440,834)
Non-controlling interests	**24,853**	(24,715)	**(57,478)**	(44,268)
Summarised cash flow information:				
Operating cash flows	**1,329,332**	1,289,559	**159,807**	(252,057)
Investing cash flows	**(289,817)**	(292,662)	**(35,449)**	(17,117)
Financing cash flows	**(802,991)**	(435,662)	**126,865**	85,282
Net increase (decrease) in cash and cash equivalents	**236,524**	561,235	**251,223**	(183,892)

6 OPERATING SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their industry classification and has five reportable operating segments.

Upstream and Integrated Investments
This segment is engaged in hydrocarbon exploration and production. The activities involve searching for potential underground or underwater crude oil and natural gas fields, drilling of exploratory wells, and subsequently drilling and operating the wells that recover and bring the crude oil and/or raw natural gas to the surface. This segment is also engaged in oil supply, refining and distributions; cogeneration of electricity; and in the distribution and retailing of electricity and natural gas. It includes the Company's investment in Compañía Española de Petróleos SA ("CEPSA"), OMV Aktiengesellschaft ("OMV") and Oil Search Limited ("OSH").

Midstream, Power & Utilities Investments
This segment is engaged in the transportation (by pipeline, oil tanker or truck), storage, and wholesale marketing of crude or refined petroleum products. This segment is also engaged in vertically integrated electric power generation, distribution of electricity and water, operation and maintenance of electricity and water plants and involved in renewable energy and environmental projects. It includes the Company's investment in Gulf Energy Maritime PJSC ("GEM"), Arab Petroleum Pipelines Company ("SUMED"), Energias de Portugal ("EDP"), Oasis International Power LLC ("Oasis") and Al Yasat Shipping Company ("Al Yasat").

Downstream investments
This segment is engaged in the refining of petroleum crude oil and the processing and purifying of raw natural gas as well as the marketing and distribution of products derived from crude oil and natural gas. This segment is also engaged in olefins and polyolefins (ethylene and polyethylene), chemical and energy co-products, expandable polystyrene and performance styrenic polymers. It includes the Company's investment in NOVA Chemicals Corporation ("NOVA"), Borealis AG ("Borealis"), Pak-Arab Refinery Limited ("PARCO") and Cosmo Energy Holdings Co. Ltd. ("Cosmo").

Diversified investments
This segment is engaged in investment advisory, asset management, private banking services, real estate and construction. It includes the Company's investment in Aabar Investments PJS ("Aabar"), Abu Dhabi Pakistan Holding Company ("ADPHL"), Qatar and Abu Dhabi Investment Company QSC ("QADIC"), Xojet, Inc. and Falah Growth Fund ("Falah"). Aabar, in turn, holds investments in Falcon Private Bank ("Falcon"), Arabtec Holding PJSC ("Arabtec"), RHB Capital Berhad ("RHB"), Unicredit SpA ("Unicredit"), Glencore plc ("Glencore"), Galactic Ventures LLC ("Virgin Galactic") and Aabar Properties Ltd.

6 OPERATING SEGMENT REPORTING continued

Projects
This segment is engaged in infrastructure projects, including construction, operation and maintenance of a refinery complex, construction and installation of oil pipelines, pumping stations and oil terminal storages in UAE, development of a new LNG regasification facility and a series of world-class petrochemicals complexes with access to Abu Dhabi's gas and liquid petroleum feedstock. These projects are not yet operational and are in construction phase. It includes the Company's investment in Emirates LNG LLC ("ELNG"), Abu Dhabi Crude Oil Pipeline ("ADCOP"), Abu Dhabi National Chemicals Company ("ChemaWEyaat"), Duqm Refinery and Petrochemical Industries LLC ("DRIPC"), Fujairah refinery and IPIC Refining Holdings LLC ("IRH").

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

6 OPERATING SEGMENT REPORTING continued

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

	Upstream and integrated investments US $ '000	*Midstream, power and utilities investments US $ '000*	*Downstream investments US $ '000*	*Diversified investments US $ '000*	*Projects US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
Year ended 31 December 2016							
Key components of the segments are							
Sales from external customers	**19,864,558**	-	**11,500,428**	**2,412,867**	-	**26,773**	**33,804,626**
Share of post-tax profits (losses) of associates and joint ventures	(159,730)	1,276	614,726	(280,016)	(43,167)	-	133,089
Depreciation and amortization of property, plant and equipment and intangible assets	(863,690)	(589)	(730,053)	(102,640)	-	(15,615)	(1,712,587)
Net impairment of property, plant and equipment and intangible assets	(71,666)	-	(45,045)	(63,604)	-	-	(180,315)
Finance income	52,412	45,068	18,078	289,862	-	20,384	425,804
Finance costs	(108,419)	-	(107,008)	(163,676)	-	(505,191)	(884,294)
Gains (losses) on acquisitions and disposals	35,447	-	707	(51,840)	(13,681)	23	(29,344)
Gains (losses) on financial instruments	30,666	-	(869)	(713,929)	-	(129,819)	(813,951)
Tax expense	(203,092)		(504,941)	(9,557)	-	-	(717,590)
Profit (loss) for the year from continuing operations (segment results)	580,764	43,593	1,888,192	(1,602,966)	(48,179)	(457,614)	403,790
Profit (loss) for the year / segment results	**580,764**	**43,593**	**1,888,192**	**(1,602,966)**	**(48,179)**	**(457,614)**	**403,790**
Year ended 31 December 2015 ***(Restated)***							
Key components of the segments are							
Sales from external customers	22,088,217	-	12,129,826	1,564,565	-	26,139	35,808,747
Share of post-tax (losses) profits of associates and joint ventures	(444,157)	9,837	595,986	(543,052)	(40,192)	-	(421,578)
Depreciation and amortization of property, plant and equipment and intangible assets	(1,244,072)	(261)	(699,939)	(76,166)	-	(15,195)	(2,035,633)
Net (reversal of) impairment of property, plant and equipment and intangible assets	(3,898,679)	-	(13,693)	(890,295)	-	-	(4,802,667)
Finance income	70,693	32,741	10,208	109,171	-	10,955	233,768
Finance costs	(114,879)	(1)	(126,554)	(204,223)	-	(594,859)	(1,040,516)
Gains (losses) on acquisitions and disposals	180,731	-	270	(71,260)	1,400,000	34	1,509,775
Losses on financial instruments	(531,278)	-	(803)	(537,839)	-	(17,812)	(1,087,732)
Tax credit (expense)	2,203,612	-	(369,375)	7,251	-	-	1,841,488
(Loss) profit for the year from continuing operations (segment results)	(2,348,438)	42,055	1,704,622	(3,177,886)	1,332,325	(114,910)	(2,562,232)
Profit (loss) for the year from discontinued operations (segment results)	7,951	-	-	(37,915)	-	-	(29,964)
(Loss) profit for the year / segment results	(2,340,487)	42,055	1,704,622	(3,215,801)	1,332,325	(114,910)	(2,592,196)

6 OPERATING SEGMENT REPORTING continued

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

	Upstream and integrated investments US $ '000	*Midstream, power and utilities investments US $ '000*	*Downstream investments US $ '000*	*Diversified investments US $ '000*	*Projects US $ '000*	*Corporate and others US $ '000*	*Total US $ '000*
At 31 December 2016							
Assets							
Investments in associates and joint ventures	2,889,359	78,076	4,300,905	1,484,976	2,887	-	8,756,203
Asset classified as held for sale	-	25,015	-	-	-	-	25,015
Other segment assets	14,022,120	628,739	13,456,949	15,803,182	655,943	1,479,985	46,046,918
Total assets	**16,911,479**	**731,830**	**17,757,854**	**17,288,158**	**658,830**	**1,479,985**	**54,828,136**
Liabilities							
Other segment liabilities	7,634,572	27,236	6,652,082	15,172,208	425,510	13,135,564	43,047,172
Total liabilities	**7,634,572**	**27,236**	**6,652,082**	**15,172,208**	**425,510**	**13,135,564**	**43,047,172**
Other segment information							
Additions during the year							
Property, plant and equipment	603,555	-	932,953	50,528	-	3,750	1,590,786
Intangible assets	83,469	-	88,878	3,653	-	-	176,000
Investment properties	-	-	-	100,014	-	-	100,014
At 31 December 2015 *(Restated)*							
Assets							
Investments in associates and joint ventures	3,278,837	81,435	3,899,329	1,797,929	93,341	-	9,150,871
Asset classified as held for sale	282,037	25,807	-	381,120	-	-	688,964
Other segment assets	14,237,746	686,617	13,209,133	17,093,209	589,704	1,206,556	47,022,965
Total assets	17,798,620	793,859	17,108,462	19,272,258	683,045	1,206,556	56,862,800
Liabilities							
Liabilities classified as held for sale	70,799	-	-	296,535	-	-	367,334
Other segment liabilities	8,292,336	262	6,631,090	15,632,916	465,716	13,683,835	44,706,155
Total liabilities	8,363,135	262	6,631,090	15,929,451	465,716	13,683,835	45,073,489
Other segment information *(Restated)*							
Additions during the year							
Property, plant and equipment	1,072,730	26,102	894,899	151,242	283	5,179	2,150,435
Intangible assets	89,297	-	107,417	32,435	-	-	229,149
Investment properties	-	-	-	258,307	-	-	258,307

6 OPERATING SEGMENT REPORTING continued

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

	UAE *US $ '000*	*Austria* *US $ '000*	*USA* *US $ '000*	*Canada* *US $ '000*	*Spain* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
Sales from external customers							
Year ended 31 December 2016	**1,772,262**	**361,453**	**2,829,291**	**1,301,313**	**13,171,893**	**14,368,414**	**33,804,626**
Year ended 31 December 2015	1,363,383	457,385	2,804,713	1,324,001	14,511,363	15,347,902	35,808,747

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

2016							
Non-current assets							
Property, plant and equipment	**625,603**	**758,617**	**25,138**	**4,441,222**	**3,774,072**	**3,978,676**	**13,603,328**
Intangible assets	**489,565**	**266,672**	**1,869**	**328,100**	**606,000**	**903,284**	**2,595,490**
Investment properties	**1,863,636**	**-**	**-**	**-**	**-**	**-**	**1,863,636**
2015							
Non-current assets (Restated)							
Property, plant and equipment	671,073	823,197	16,833	4,144,499	3,889,785	4,441,629	13,987,016
Intangible assets	520,818	253,749	3,397	340,010	668,986	997,053	2,784,013
Investment properties	1,943,485	-	-	-	-	-	1,943,485

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2016 US $ '000	*31 December 2015 US $ '000*
Carrying value:		
Associates	**8,219,550**	8,529,929
Joint ventures	**536,653**	620,942
	8,756,203	9,150,871

	2016 US $ '000	*2015 US $ '000*
Share of post-tax profit (losses) from continuing operations		
Associates	**159,685**	(392,175)
Joint ventures	**(26,596)**	(29,403)
	133,089	(421,578)

7.1 Investments in associates

A list of significant associates is provided in note 4.3.

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

Summarised statement of profit or loss of material associates

	2016				*2015*			
	OMV US $ '000	***Borouge US $ '000***	***Other associates US $ '000***	***Total US $ '000***	*OMV US $ '000*	*Borouge US $ '000*	*Other associates US $ '000*	*Total US $ '000*
Revenue	**21,316,005**	**3,978,863**	**8,579,594**	**33,874,462**	25,013,981	3,822,885	8,609,058	37,445,924
(Loss) profit from continuing operations	**(202,535)**	**1,297,033**	**567,277**	**1,661,775**	(1,393,552)	1,341,234	110,415	58,097
(Loss) profit for the year	**(202,535)**	**1,297,033**	**567,277**	**1,661,775**	(1,393,552)	1,341,234	398,506	346,188
Other comprehensive (loss) income	**(243,485)**	**-**	**37,977**	**(205,508)**	98,826	-	155,722	254,548
Total comprehensive (loss) income	**(446,020)**	**1,297,033**	**605,254**	**1,456,267**	(1,294,726)	1,341,234	554,228	600,736
The Group's share of post-tax profit (loss) from associates	**(94,878)**	**522,160**	**(310,605)**	**116,677**	(361,514)	538,178	(568,839)	(392,175)
Dividend received from associates during the year	**90,577**	**-**	**112,535**	**203,112**	112,182	-	68,104	180,286

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

7.1 Investments in associates continued

Summarised statement of financial position of OMV and Borouge (unadjusted)

	2016		*2015*	
	OMV US $ '000	***Borouge US $ '000***	*OMV US $ '000*	*Borouge US $ '000*
Current assets	**11,643,371**	**2,267,107**	9,352,182	1,898,578
Non - current assets	**22,129,871**	**9,184,073**	26,127,455	9,569,707
Current liabilities	**(8,239,018)**	**(893,337)**	(8,747,169)	(663,691)
Non - current liabilities	**(10,889,302)**	**(808,188)**	(11,203,067)	(1,997,590)
Hybrid capital	**(2,346,343)**	**-**	(2,423,312)	-
Non-controlling interests	**(3,165,617)**	**-**	(2,851,037)	-
Net assets	**9,123,962**	**9,749,655**	10,255,052	8,807,004

A reconciliation of the summarised financial information to the carrying amount of OMV and Borouge are as follows:

	2016			*2015*		
	OMV US $ '000	***Borouge US $ '000***	***Total US $ '000***	*OMV US $ '000*	*Borouge US $ '000*	*Total US $ '000*
Share of net assets	**2,322,274**	**3,899,862**	**6,222,136**	2,553,508	3,522,802	6,076,310
Other adjustments	**49,430**	**(4,277)**	**45,153**	85,721	(6,969)	78,752
Carrying amount	**2,371,704**	**3,895,585**	**6,267,289**	2,639,229	3,515,833	6,155,062
Carrying amount of other listed associates			**964,194**			1,308,264
Carrying amount of other unlisted associates			**988,067**			1,066,603
Total carrying amount of associates			**8,219,550**			8,529,929

Certain of the Group's associates are listed on various stock exchanges. The fair value of these listed associates was US $ 3,714,484 thousand at 31 December 2016 (31 December 2015: US $ 3,128,714 thousand) while their carrying values were US 3,335,898 thousand at 31 December 2016 (31 December 2015: US $ 3,947,493 thousand).

The fair value of Aabar's investment in RHB, listed on Bursa Stock Exchange Malaysia, was lower than its total carrying value. The management has recorded an impairment provision of US $ 341,589 thousand at 31 December 2016 (2015: US $ 448,988 thousand) within share of post-tax profits of associates.

The recoverable amounts were determined using the higher of fair value less costs to sell and value-in-use approach as per IAS 36 *Impairment of assets*. The difference between market value and carrying value of these investments was largely due to short-term market developments towards end of year 2016.

8 FINANCE INCOME

	2016 ***US $ '000***	*2015* *US $ '000*
Dividend income	**88,511**	98,297
Interest and other income	**337,293**	135,471
	425,804	233,768

Dividend income relates to the dividend received from the Group's investments in available-for-sale and fair value through profit or loss financial instruments.

9 FINANCE COSTS

	2016 ***US $ '000***	*2015* *US $ '000*
Interest expense on borrowings and derivatives	**(821,447)**	(963,373)
Other interest costs	**(62,847)**	(77,143)
	(884,294)	(1,040,516)

10 (LOSSES) GAINS ON ACQUISITIONS AND DISPOSALS

	2016 ***US $ '000***	*2015* *US $ '000*
Gain (loss) on disposal of financial instruments – net	**36,304**	(7,925)
(Loss) gain on disposal/partial disposal of an associate and joint ventures – net (i)	**(14,791)**	98,261
Gain (loss) on disposal of property, plant and equipment – net	**12,160**	(892)
Gain on transfer of ADCOP (ii)	**-**	1,400,000
Other (losses) gains – net	**(63,017)**	20,331
	(29,344)	1,509,775

(i) In 2015, gain on disposal of associates includes profit of US $ 168,000 thousand on the sale of 9.15% of CEPSA's stake in Compañia Logistica de Hidrocarburos CLH, S.A and loss of US $ 38,964 thousand on the conversion of Arabtec from an associate to a subsidiary.

(ii) On 15 November 2015, the Company had recognised the transfer of ADCOP to ADNOC at a gain of US $ 1.4 billion.

11 LOSSES ON FINANCIAL INSTRUMENTS

	2016 ***US $ '000***	*2015* *US $ '000*
Impairment losses on available-for-sale financial instruments (i)	**(73,440)**	(945,685)
Reversal of impairment losses on financial instruments at amortised cost	**-**	15,392
Fair value loss on non-derivative financial instruments at fair value through profit or loss (ii)	**(864,950)**	(213,572)
Fair value gain on derivative financial instruments (iii)	**124,433**	57,602
Other (gains) losses on financial instruments	**6**	(1,469)
	(813,951)	(1,087,732)

(i) Impairment losses on available-for-sale financial instruments as at 31 December 2016 mainly represents the following:

	2016 ***US $ '000***	*2015* *US $ '000*
Impairment loss on investments in Glencore plc	**-**	(325,765)
Impairment loss on investments in Oil Search Limited	**-**	(522,452)
Impairment loss on investments in Cosmo Energy Holdings Co. Ltd.	**-**	(12,778)
Impairment loss on investments in OCI N.V	**(46,880)**	-

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

	2016 ***US $ '000***	*2015* *US $ '000*
Fair value loss on Unicredit SpA shares	**(738,818)**	(242,138)
Fair value losses on investments in equity and bonds held by Falcon Private Bank	**(88,574)**	**-**

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

	2016 ***US $ '000***	*2015* *US $ '000*
Call options on Unicredit SpA (note a)	**223,614**	56
Call options on Daimler AG shares (note b)	**(2,374)**	(251,788)
Embedded derivatives on exchangeable bonds of Daimler AG shares (note b)	**-**	227,282
Embedded derivatives on exchangeable bonds of Unicredit SpA shares (note c)	**749**	108,385
Cross-currency swap (d)	**(129,819)**	(62,912)

11 LOSSES ON FINANCIAL INSTRUMENTS continued

(a) Aabar entered into funded collar transactions upon the purchase of equity shares in Unicredit SpA. The rationale for entering into such funded collar transactions was to raise long-term, non–recourse, high loan-to-value financing to fund the purchase of the shares and to protect the Group against adverse movements in the value of the shares. The funded collar transactions include call and put options that restricted the revaluation gains and losses on the Unicredit SpA shares within a certain range. In August 2016, Aabar decided to unwind its collar position on the UniCredit SpA shares before its original maturity of November 2017. Proceeds from the collar unwind were used to partially repay the collar loan (see note 29) associated with the collar structure.

(b) This balance represents fair value changes of the purchased call options associated with the call options embedded in the exchangeable bonds. Aabar has recognised separately the derivative embedded in its exchangeable bonds. The holders of the bonds have the option to exchange their bonds into Daimler AG shares on exercise of exchange rights, however, Aabar has the option to deliver either shares or cash. The exchangeable bonds were settled by delivery of shares to the bond holders during the year ended 31 December 2015 which led to the derecognition of embedded derivatives.

(c) Aabar has recognised separately the derivative embedded in its exchangeable bonds that were issued in March 2015 (see note 29). The holders of the bonds have the option to exchange their bonds into Unicredit SpA shares on exercise of exchange rights six months before their maturities. However, Aabar has the option to deliver either shares or cash.

(d) This balance represents fair value changes of cross currency fixed to fixed USD/EUR swap and GBP/EUR cross currency swaps ("CCS") which the Group undertook in 2016 and 2011, respectively.

12 INCOME TAX (EXPENSE) CREDIT

The major components of income tax (expense) credit for the years ended 31 December 2016 and 2015 are:

	2016 ***US $ '000***	*2015* *US $ '000*
Consolidated statement of profit or loss		
Current income tax expense:		
Corporation tax	**(477,742)**	(704,655)
Prior year charge	**(23,029)**	(14,642)
Total current income tax expense	**(500,771)**	(719,297)
Deferred tax:		
Origination and reversal of temporary differences (i)	**(182,479)**	2,594,851
Impact of change in tax laws	**(495)**	(93,081)
(Write down) reversal of previous write-down of deferred tax assets	**(33,845)**	59,015
Total deferred tax (charge) credit	**(216,819)**	2,560,785
Tax (charge) credit reported in the consolidated statement of profit or loss relating to continuing operations	**(717,590)**	1,841,488

(i) In 2015, the amount mainly represents reversal of deferred tax liabilities due to impairment of Coastal's upstream assets.

12 INCOME TAX CREDIT (EXPENSE) continued

The Company is not subject to income tax in the United Arab Emirates (UAE) as the domestic Income Tax Decrees are not enforced on the Company in the UAE. The total tax expense primarily relates to the tax payable on the profits earned by the overseas subsidiaries and is therefore calculated at tax rates prevailing in the respective jurisdictions, in accordance with the taxation laws and regulations of the countries in which they operate.

	2016 ***US $ '000***	*2015* *US $ '000*
Consolidated statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year:		
Cash flow hedges	**(4,398)**	(18,059)
Defined benefit pension scheme	**28,359**	(6,267)
Available-for-sale investments	**(46)**	77
Net gain on hedge of net investments	**17,411**	113,294
Income tax credit directly to equity	**41,326**	89,045

The reconciliation of income tax expense and accounting profit multiplied by the Group's average income tax rate for 2016 and 2015 is as follows:

	2016 ***US $ '000***	*2015* *US $ '000* *Restated*
Accounting profit (loss) before tax from continuing operations	**1,121,380**	(4,403,717)
At average income tax rate of 30% (2015: 30%)	**(336,414)**	1,331,757
Expenses not deductible for tax purposes	**(55,271)**	(7,228)
Effect of share of profit (loss) of associates and joint ventures	**39,926**	(126,474)
Non-taxable loss	**(476,203)**	(507,148)
Higher taxes on overseas earnings (i)	**15,918**	745,489
(Write-down) reversal of deferred tax assets	**(33,845)**	59,015
Tax credit on impairment (ii)	**13,211**	383,044
Impact of changes in tax laws	**(495)**	(93,081)
Prior year charge	**(23,029)**	(14,642)
Difference in tax rates	**56,473**	(38,200)
Tax credits and relief applied (iii)	**85,752**	108,026
Others	**(3,613)**	930
Income tax (expense) credit for the year	**(717,590)**	1,841,488

(i) Higher taxes on overseas earnings, mainly represent the higher corporate income tax rates, as compared to Spanish tax rate, applicable on foreign operations of CEPSA mostly in Algeria, Thailand and Malaysia. During 2015, CEPSA incurred heavy tax losses due to impairments of Coastal's assets that have given rise to higher income tax credit due to higher income tax rate applicable in Thailand and Malaysia.

(ii) Tax credit on impairment in 2015, generated as a result of the impairment of Coastal's assets as per Spanish corporate income tax laws.

(iii) The amount mainly represents international double tax credit on the Group's Algerian assets.

12 INCOME TAX CREDIT (EXPENSE) continued

Deferred tax movement for the years ended 31 December 2016 and 2015 is as follows:

Deferred tax assets relate to the following:

	1 January 2015 US $ '000	*Recognised in profit or loss US $ '000*	*Recognised in other comprehensive income US $ '000*	*Acquisitions and disposals US $ '000*	*Transfers US $ '000*	*Exchange differences US $ '000*	*31 December 2015 US $ '000*	***Recognised in profit or loss US $ '000***	***Recognised in other comprehensive income US $ '000***	***Acquisitions and disposals US $ '000***	***Transfers US $ '000***	***Exchange differences US $ '000***	***31 December 2016 US $ '000***
Derivative contracts	140,796	-	(112,265)	-	-	(11,938)	16,593	**5,729**	**(19,050)**	**-**	**-**	**134**	**3,406**
Impairment	32,960	298,305	-	3,071	(2,183)	(10,429)	321,724	**(7,719)**	**-**	**-**	**54,053**	**(12,438)**	**355,620**
Other timing differences	(111,118)	(49,787)	18,018	-	-	13,670	(129,217)	**11,033**	**6,509**	**-**	**45,088**	**2,621**	**(63,966)**
Pension and post-employment medical benefits	147,609	(9,720)	(6,267)	-	(1,045)	(11,143)	119,434	**(9,841)**	**28,359**	**-**	**19**	**(4,059)**	**133,912**
Tax losses carried forward	319,381	113,922	-	1,465	-	(23,475)	411,293	**(194,415)**	**-**	**-**	**(1,563)**	**(593)**	**214,722**
Provisions	34,985	(6,282)	-	89	-	(3,649)	25,143	**9,700**	**-**	**-**	**6,650**	**(1,330)**	**40,163**
Accelerated capital allowances	191,541	(33,837)	-	(76,768)	40,024	(4,515)	116,445	**(9,941)**	**-**	**-**	**18,532**	**(4,527)**	**120,509**
Others	140,347	85,635	202,079	6,500	2,763	(23,294)	414,030	**322**	**11,670**	**-**	**(132,154)**	**(6,878)**	**286,990**
	896,501	398,236	101,565	(65,643)	39,559	(74,773)	1,295,445	**(195,132)**	**27,488**	**-**	**(9,375)**	**(27,070)**	**1,091,356**

Deferred tax liabilities relate to the following:

Accelerated capital allowances	(1,327,352)	43,757	-	(2,703)	16,477	(10,630)	(1,280,451)	**(111,927)**	**-**	**-**	**21,790**	**20,396**	**(1,350,192)**
Acquisition fair value adjustment on intangibles	(244,881)	75,060	-	34	-	15,122	(154,665)	**8,972**	**-**	**-**	**(47,255)**	**4,585**	**(188,363)**
Acquisition fair value adjustment on property, plant and equipment and other non-current assets	(2,271,289)	2,078,259	-	-	-	(42,178)	(235,208)	**30,631**	**-**	**-**	**78,675**	**(13,400)**	**(139,302)**
(Loss) gain on revaluation of other assets	(9,368)	1,100	-	-	-	934	(7,334)	**21,190**	**-**	**-**	**(91,243)**	**3,718**	**(73,669)**
(Loss) gain on revaluation of non-derivative financial instruments	(20,987)	(3,461)	-	2,685	(9,924)	14,282	(17,405)	**(447)**	**-**	**-**	**16,216**	**13,554**	**11,918**
Inventories	(29,296)	(620)	-	-	-	3,005	(26,911)	**(1,580)**	**-**	**-**	**2,369**	**964**	**(25,158)**
Other timing differences	126,565	(7,182)	-	-	-	(12,378)	107,005	**9,990**	**-**	**-**	**22,567**	**(5,431)**	**134,131**
Temporary differences on accrued expenses	217,928	(57,898)	-	-	-	-	160,030	**9,866**	**-**	**-**	**-**	**-**	**169,896**
Uncertain tax provisions	(29,813)	888	-	-	-	-	(28,925)	**3,582**	**-**	**-**	**-**	**-**	**(25,343)**
Pension and post-employment benefits	(6,740)	1,573	-	-	-	654	(4,513)	**3,834**	**-**	**-**	**-**	**(48)**	**(727)**
Acquisition fair value adjustment on associates	(76,239)	41,702	-	-	-	6,880	(27,657)	**(62)**	**-**	**-**	**(451)**	**904**	**(27,266)**
Others	(18,387)	(10,629)	(12,520)	-	4,435	2,189	(34,912)	**4,264**	**13,838**	**-**	**(28,302)**	**797**	**(44,315)**
	(3,689,859)	2,162,549	(12,520)	16	10,988	(22,120)	(1,550,946)	**(21,687)**	**13,838**	**-**	**(25,634)**	**26,039**	**(1,558,390)**

12 INCOME TAX CREDIT (EXPENSE) continued

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

Certain deferred tax assets have not been recognized in respect of cumulative tax losses on the basis that the Group considers it to be prudent not to recognize such losses until such time as profits against which the losses may be utilized can be anticipated with certainty. The Group has cumulative tax losses in some jurisdictions amounting to US $ 154,117 thousand (31 December 2015: US $ 126,304 thousand). However, these losses do not expire and may not be used to offset taxable income elsewhere in the Group.

Unrecognised deferred tax liabilities
The temporary differences associated with investments in associates and subsidiaries, for which a deferred tax liability has not been recognised, aggregate to US $ 338,643 thousand (31 December 2015: US $ 363,221 thousand).

13 NET SALES REVENUE

	2016 ***US $ '000***	*2015* *US $ '000*
Banking and financial services	**237,960**	181,227
Construction activities	**2,199,325**	1,414,954
Exploration and production	**590,622**	783,882
Gas and power	**593,351**	734,454
Petrochemicals	**13,881,118**	14,692,234
Refining and distribution	**13,519,578**	15,266,072
Net sales revenue	**31,021,954**	33,072,823

14 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

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

(i) Cost of sales

	2016 ***US $ '000***	*2015* *US $ '000* *Restated*
Cost of raw materials consumed	**(18,808,724)**	(21,168,501)
Staff costs	**(1,328,253)**	(1,348,967)
Impairment reversal on raw materials and finished goods – net	**377,373**	179,901
Depreciation of property, plant and equipment	**(1,297,070)**	(1,569,093)
Amortization of intangible assets	**(38,323)**	(45,535)
Impairment of property, plant and equipment (note 17)	**(38,654)**	(3,095,274)
Impairment of intangible assets (excluding goodwill)	**(3,748)**	(92,010)

14 PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS continued

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

(ii) Selling and distribution expenses

	2016 US $ '000	*2015 US $ '000*
Staff costs	**(281,915)**	(276,505)
Depreciation of property, plant and equipment	**(122,283)**	(123,320)
Amortization of intangible assets	**(19,220)**	(19,878)
Impairment of property, plant and equipment (note 17)	**(5,168)**	(346)
Impairment of intangible assets (excluding goodwill)	**-**	(19)

(iii) General and administrative expenses

	2016 US $ '000	*2015 US $ '000 Restated*
Staff costs	**(654,673)**	(636,163)
Depreciation of property, plant and equipment	**(81,837)**	(58,580)
Amortization of intangible assets	**(60,561)**	(44,444)
Impairment of property, plant and equipment (note 17)	**(31,167)**	(10,347)
Impairment of intangible assets (excluding goodwill)	**(32,434)**	(9,629)
Reversal on impairment of property, plant and equipment	**-**	9,355
Fair value losses on investment property	**(92,748)**	(155,363)
Net reversal (provision) of impairment of receivables	**19,758**	(756,921)

(iv) Research and development expenses

	2016 US $ '000	*2015 US $ '000*
Staff costs	**(105,185)**	(106,391)
Depreciation of property, plant and equipment	**(74,297)**	(156,982)
Amortization of intangible assets	**(18,995)**	(17,801)
Impairment of property, plant and equipment (note 17)	**(599)**	(95,712)
Impairment of intangible assets (excluding goodwill)	**(1,668)**	(5,293)

The Group paid US $ 19,220 thousand (2015: US $ 9,268 thousand) in respect of social contributions during the year.

15 ASSET CLASSIFIED AS HELD FOR SALE

	2016 ***US $ '000***	*2015* *US $ '000*
Included in the consolidated statement of profit or loss:		
Loss on Arabtec's operations in Kingdom of Saudi Arabia entities	-	(37,915)
Profit on CEPSA's purified terephthalic acid ("PTA") business operations	-	7,951
	-	(29,964)
Included in the consolidated statement of financial position:		
Assets of Arabtec's operations in Kingdom of Saudi Arabia entities	-	381,120
Assets of CEPSA's PTA business	-	282,037
Asset of Al Yasat	**25,015**	25,807
	25,015	688,964
Liabilities of Arabtec's operations in Kingdom of Saudi Arabia entities	-	296,535
Liabilities of CEPSA's PTA business	-	70,799
	-	367,334

Al Yasat
The Group classified a vessel to be sold to a related party. The Group has received US$ 27,046 thousand from the related party as advance on the sale of the vessel.

Arabtec
Assets held for sale in December 2015 includes Arabtec's equity interests in certain entities located in the Kingdom of Saudi Arabia (KSA). These entities were approved for disposal by Arabtec board of directors back in 2014. Accordingly, Arabtec's net interest in the above entities which has carrying value of US $ 84,585 thousand as at 31 December 2015 has been reclassified as assets held for sale in the consolidated financial statements in accordance with *IFRS 5 Non-Current Assets Held For Sale And Discontinued Operations* (IFRS 5).

Management's previous assessment of control over these entities was based on Arabtec's practical ability to direct their relevant activities and affect their variable returns. Management believes that due to discontinuation of major operations of the subsidiaries in KSA, there are no further relevant activities that Arabtec exercises control or significant influence. Accordingly, these subsidiaries have been de-consolidated and classified as available-for-sale investments under IAS 39 Financial Instruments: Recognition and Measurement at 31 December 2016.

CEPSA
During the year ended 31 December 2015, CEPSA has agreed to sell its purified terephthalic acid ("PTA") business in Montreal, Canada to Thailand-based Indorama. Accordingly, the PTA business with a carrying value of US $ 211,238 thousand has been reclassified as assets held for sale in the consolidated financial statements in accordance with IFRS 5. The sale was completed in April 2016.

16 BASIC AND DILUTED PROFIT (LOSS) PER SHARE

Basic profit (loss) per share amounts are calculated by dividing net profit (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The Company does not have any instrument which will have a dilutive impact at the reporting date.

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

	2016 ***US $ '000***	*2015* *US $ '000* *Restated*
Net profit (loss) attributable to ordinary equity holders of the parent for basic earnings	**445,948**	(2,649,535)
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US $	*US $*
Basic and diluted profit (loss) per share	**127**	(757)

17 PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements US $ '000	*Buildings, structures and production plants US $ '000*	*Assets under construction US $ '000*	*Oil and gas properties US $ '000*	*Others* US $ '000*	*Total US $ '000*
2016						
Cost:						
At 1 January 2016 *(Reported)*	994,874	17,133,721	2,101,257	6,277,785	903,343	27,410,980
Reclassification	-	106,932	-	-	-	106,932
At 1 January 2016 *(Restated)*	994,874	17,240,653	2,101,257	6,277,785	903,343	27,517,912
Additions	7,410	217,651	1,243,238	71,624	50,863	1,590,786
Acquired through business combination	3,868	3,587	671	-	276	8,402
Disposals	(2,898)	(129,650)	(9,288)	(34,953)	(33,512)	(210,301)
Transfers	11,655	1,527,784	(1,159,001)	(401,678)	37,440	16,200
Exchange adjustments	(34,158)	(508,488)	(27,952)	(43,226)	(30,265)	(644,089)
At 31 December 2016	**980,751**	**18,351,537**	**2,148,925**	**5,869,552**	**928,145**	**28,278,910**
Depreciation and impairment:						
At 1 January 2016 *(Reported)*	215,231	7,258,421	34,537	5,558,352	452,932	13,519,473
Reclassification	-	11,423	-	-	-	11,423
At 1 January 2016 *(Restated)*	215,231	7,269,844	34,537	5,558,352	452,932	13,530,896
Charge for the year	12,731	1,119,518	-	324,318	118,920	1,575,487
Impairment (note 14)	22,284	52,154	-	1,042	108	75,588
Disposals	(996)	(116,828)	-	(452)	(25,036)	(143,312)
Transfers	397	138,993	(18,658)	(85,000)	(51)	35,681
Exchange adjustments	(9,861)	(266,399)	5	(93,433)	(29,070)	(398,758)
At 31 December 2016	**239,786**	**8,197,282**	**15,884**	**5,704,827**	**517,803**	**14,675,582**
Net carrying amount:						
At 31 December 2016	**740,965**	**10,154,255**	**2,133,041**	**164,725**	**410,342**	**13,603,328**

17 PROPERTY, PLANT AND EQUIPMENT continued

	Land and land improvements US $ '000	*Buildings, structures and production plants US $ '000*	*Assets under construction US $ '000*	*Oil and gas properties US $ '000*	*Others* US $ '000*	*Total US $ '000*
2015						
Cost:						
At 1 January 2015 *(Reported)*	1,053,222	16,910,198	2,196,182	6,526,552	652,985	27,339,139
Reclassification	-	105,933	-	-	-	105,933
At 1 January 2015 *(Restated)*	1,053,222	17,016,131	2,196,182	6,526,552	652,985	27,445,072
Additions	27,316	502,438	1,088,315	461,358	71,008	2,150,435
Acquired through business combination	13,079	59,214	51,320	-	163,985	287,598
Disposals	(596)	(171,245)	(3,679)	-	(23,907)	(199,427)
Classified as held for sale or, discontinued operations	(3,598)	(631,195)	(23,264)	-	(9,001)	(667,058)
Transfers	6,007	1,657,255	(1,096,923)	(531,963)	63,387	97,763
Exchange adjustments	(100,556)	(1,191,945)	(110,694)	(178,162)	(15,114)	(1,596,471)
At 31 December 2015 *(Restated)*	994,874	17,240,653	2,101,257	6,277,785	903,343	27,517,912
Depreciation and impairment:						
At 1 January 2015 *(Reported)*	225,190	7,241,831	17,761	2,067,898	271,817	9,824,497
Reclassification	-	7,569	-	-	-	7,569
At 1 January 2015 *(Restated)*	225,190	7,249,400	17,761	2,067,898	271,817	9,832,066
Charge for the year	13,770	1,057,200	-	725,173	131,147	1,927,290
Impairment (note 14)	-	161,020	17,471	3,023,188	-	3,201,679
Reversal of impairment	-	(9,355)	-	-	-	(9,355)
Disposals	(565)	(162,822)	(136)	-	(23,520)	(187,043)
Classified as held for sale or, discontinued operations	-	(557,873)	-	-	(8,125)	(565,998)
Transfers	-	95,242	(559)	(142,301)	91,188	43,570
Exchange adjustments	(23,164)	(562,968)	-	(115,606)	(9,575)	(711,313)
At 31 December 2015 *(Restated)*	215,231	7,269,844	34,537	5,558,352	452,932	13,530,896
Net carrying amount:						
At 31 December 2015 *(Restated)*	779,643	9,970,809	2,066,720	719,433	450,411	13,987,016

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

a) Property, plant and equipment with a book value of US $ 1,983,987 thousand (31 December 2015: US $ 1,933,115 thousand) have been pledged as security for related borrowings and mortgages.

b) The figures for buildings, structures and production plants include capitalised finance lease with a net book value of US $ 6,563 thousand (31 December 2015: US $ 3,125 thousand). The lease obligations are included in borrowings (see note 29).

c) During 2016, the Company reclassified its investment property to building amounting US $ 98,364 thousand (31 December 2015: US $ 95,509 thousand)

18 INTANGIBLE ASSETS

	Software *US $ '000*	*Concessions patents and licenses* *US $ '000*	*Development costs* *US $ '000*	*Brands and trademarks* *US $ '000*	*Customer contracts* *US $ '000*	*Goodwill* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
2016								
Cost:								
At 1 January 2016	243,839	500,776	348,047	604,459	377,383	2,384,866	739,923	5,199,293
Additions	34,639	44,945	34,083	-	-	-	62,333	176,000
Acquisitions through business combination (note 3.1)	7	-	-	-	-	23,041	-	23,048
Disposals	(4,735)	(52,656)	-	-	-	-	(59,157)	(116,548)
Transfers	9,861	(1,135)	(1,034)	-	(216)	-	2,386	9,862
Exchange adjustments	(7,227)	(8,323)	(11,993)	(13,186)	(3,919)	(14,992)	(5,502)	(65,142)
At 31 December 2016	**276,384**	**483,607**	**369,103**	**591,273**	**373,248**	**2,392,915**	**739,983**	**5,226,513**
Amortization and impairment:								
At January 2016	136,809	186,055	207,056	-	99,620	1,503,392	282,348	2,415,280
Charge for the year	31,553	30,410	14,102	-	44,589		16,446	137,100
Impairment	146	-	1,668	28,810	3,478	74,373	3,748	112,223
Disposals	(3,558)	(3,590)	-	-	-	-	(1,557)	(8,705)
Transfers	(2,595)	6	-	-	-	-	(3,168)	(5,757)
Exchange adjustments	(3,829)	(4,777)	(6,877)	1	(430)	-	(3,206)	(19,118)
At 31 December 2016	**158,526**	**208,104**	**215,949**	**28,811**	**147,257**	**1,577,765**	**294,611**	**2,631,023**
Net carrying amount:								
At 31 December 2016	**117,858**	**275,503**	**153,154**	**562,462**	**225,991**	**815,150**	**445,372**	**2,595,490**

18 INTANGIBLE ASSETS continued

	Software *US $ '000*	*Concessions patents and licenses* *US $ '000*	*Development costs* *US $ '000*	*Brands and trademarks* *US $ '000*	*Customer contracts* *US $ '000*	*Goodwill* *US $ '000*	*Other* *US $ '000*	*Total* *US $ '000*
2015								
Cost:								
At 1 January 2015	255,037	428,800	344,333	462,385	202,706	1,784,202	724,973	4,202,436
Additions	43,297	77,837	37,527	29,357	636	-	40,495	229,149
Acquisitions through business combination (note 3.1)	-	63,548	-	160,073	190,506	690,330	1,582	1,106,039
Disposals	(45,033)	(39,929)	-	-	(7,532)	-	(5,021)	(97,515)
Transfers	8,518	(413)	(90)	-	-	-	(571)	7,444
Exchange adjustments	(17,980)	(29,067)	(33,723)	(47,356)	(8,933)	(89,666)	(21,535)	(248,260)
At 31 December 2015	243,839	500,776	348,047	604,459	377,383	2,384,866	739,923	5,199,293
Amortization and impairment:								
At January 2015	163,910	178,536	204,281	-	72,717	-	132,985	752,429
Charge for the year	26,812	26,738	17,290	-	36,079	-	20,739	127,658
Impairment	429	-	5,293	-	-	1,503,392	101,229	1,610,343
Disposals	(44,168)	(4,597)	-	-	(7,532)	-	(163)	(56,460)
Transfers	1	(1,258)	-	-	-	-	1,445	188
Exchange adjustments	(10,175)	(13,364)	(19,808)	-	(1,644)	-	26,113	(18,878)
At 31 December 2015	136,809	186,055	207,056	-	99,620	1,503,392	282,348	2,415,280
Net carrying amount:								
At 31 December 2015	107,030	314,721	140,991	604,459	277,763	881,474	457,575	2,784,013

18 INTANGIBLE ASSETS continued

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

The fair value of the trade name was estimated using a relief from royalty approach. In applying this methodology, the value of the trade name was estimated by capitalising the royalties saved due to the Group owning the trade name. The trade name is being used in various businesses in the Group. An appropriate trade name royalty rate was identified as a percentage of revenue or for certain businesses as a percentage of gross margin over variable costs level which translated into approximately 4.0% to 8.0% (2015: 4.0% to 8.0%) of gross margin over variable costs depending on the location of the use of the brand, the significance of its presence in the specific country, and the focus on marketing and advertising of the brand. A discount rate for the trade name was calculated and ranged from 9.5% to 11.0% (2015: 8.5% to 9%). Terminal value was calculated with a long-term growth rate of 1.0% (2015:1.5%). A tax amortisation benefit was applied for the trade name as the value will be amortisable for tax purposes.

Sensitivity to changes in assumptions
With regard to the assessment of fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of the brand to materiality exceed its recoverable amount as of 31 December 2016.

19 IMPAIRMENT TESTING OF GOODWILL

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

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

	Borealis *US $ '000*	*Falcon* *US $ '000*	*Arabtec* *US $ '000*	*CEPSA* *US $ '000*	*Total* *US $ '000*
Goodwill					
Carrying amount at 1 January 2016	166,875	27,489	129,489	557,621	881,474
Additions during the year from business combinations (note 3.1)	23,041	-	-	-	23,041
Impairment	-	-	-	(74,373)	(74,373)
Exchange difference	(6,763)	(2)	(148)	(8,079)	(14,992)
Carrying amount at 31 December 2016	**183,153**	**27,487**	**129,341**	**475,169**	**815,150**

The Group performed its annual impairment test at 31 December 2016.

19 IMPAIRMENT TESTING OF GOODWILL continued

Borealis
Borealis constitutes the lowest level at which the goodwill is monitored for internal management purposes. The recoverable amount of Borealis has been determined based on a fair value less cost to sell calculation determined using cash flow projections from financial projections approved by senior management covering a five-year period.

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

- Terminal value: Sustainable earnings include a terminal growth rate that ranges from 1.2% to 3.4% for Borealis (2015: 1.5%) which was derived on basis of analyses of sustainable GDP growth of Borealis' key sales regions and long term growth expectations for the end market industries for Polyolefin, Infrastructure, Automotive, and Advanced Packaging. Terminal values have been estimated with the perpetual growth rate methodology.

- Discount rates: Market and peer group data were utilized in addition to the specific financing conditions prevailing at Borealis to obtain weighted-average cost of capital ("WACC"). The post-tax discount rate applied to cash flow projections ranged from 9.17% to 12.1% (2015: from 9.25% to 11.1%).

Sensitivity to changes in assumptions
With regard to the assessment of fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of Borealis to materiality exceed its recoverable amount as of 31 December 2016.

Aabar
Aabar constitutes the lowest aggregation of assets that generate largely independent cash inflows. At 31 December 2015, the recoverable amount of Aabar's assets has been determined based on the higher of its fair value less costs to sell and its value in use approach. The main methodology used for the estimation of the referred values has been discounted cash flows ("DCF") for unlisted companies and market prices for listed companies adjusted where appropriate based on broker estimates and price forecast consensus. Each of the investment properties was also adjusted to the higher of their fair values less cost to sell and value in use.

As a result of the impairment testing performed as at 31 December 2015, the entire amount of goodwill US $ 326,554 thousand had been impaired.

Falcon
The Group performed its annual impairment test as at 31 December 2016. No additional impairment was identified. The recoverable amount of Falcon Private Bank at 31 December 2016 was determined based on fair valuation performed by management using a range of valuation methodologies relevant for private banking.

Sensitivity to changes in assumptions
With regard to the assessment of fair value, management assessed that no reasonably possible change in any of the assumptions would cause the carrying value of Falcon Private Bank to materiality exceed its recoverable amount as of 31 December 2016.

Arabtec
Aabar performed its annual impairment test as at 31 December 2016. Impairment of US $ nil (2015: US $ 560,841 thousand) was recognised for Arabtec goodwill. The recoverable amount of Arabtec at 31 December 2016 was determined based on recoverable amount which was concluded to be commensurate with the fair value as determined based on observable share price. Per management fair value exceeded value in use at 31 December 2016. The market price of Arabtec was AED 1.31 per share at 31 December 2016 (31 December 2015: AED 1.25). The concluded fair value of Arabtec (100%) was US $ 1,646 million (AED 6,046 million) as at 31 December 2016 (31 December 2015: US $ 1,571 million (AED 5,769 million)).

19 IMPAIRMENT TESTING OF GOODWILL continued

CEPSA
CEPSA constitutes the lowest aggregation of assets that generate largely independent cash inflows. At 31 December 2016, the recoverable amount of CEPSA has been determined based on a fair value less cost to sell approach, derived from financial projections covering a five year period. The main methodology used for the estimation of the referred fair values has been discounted cash flows ("DCF"). In addition, market multiples were also used as a secondary method and to cross check to the fair value determined under the DCF method. For each of the company´s businesses, the DCF methodology considered financial projections for five years plus a terminal value thereafter, except for the Exploration & Production ("E&P") business, where the remaining useful life of each of the producing fields/assets was considered.

As a result of the impairment testing, goodwill arising on the acquisition of Coastal was partially impaired for an amount of US$ 74,373 thousand (31 December 2015: US $ 615,997 thousand) (note 3). The recoverable amount of Coastal dropped significantly due to the lower crude oil and gas prices compared to the high prices at the acquisition date, coupled with depletion on commercial reserves and other unfavourable economic and political events. Oil and gas assets relating to Coastal were also impaired amounting to US $ 61,830 thousand (31 December 2015: US $ 2,846,669 thousand) (note 17) while related deferred tax amounts of US $ 11,821 thousand were reversed (31 December 2015: US $ 2,063,767 thousand) (note 12).

Key assumptions used in fair value calculation

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

- Terminal value: Except for the Exploration and Production division terminal values have been estimated following the perpetual growth rate methodology.

- Growth rate: Except for the E&P business, growth rates have been estimated for each of the company's businesses based on industry research. Growth rate considered is in a range from 0.0% to 1.2% (2015: 0.0% to 1.2%).

- E&P assumptions: Valuations of Exploration & Production assets (Upstream) use cash flow projections for a period that covers the economically productive useful lives of the oil and gas fields, limited by the contractual expiration of the operating permits, agreements or contracts. Estimated crude oil prices used to project cash flows to determine the fair value of each of the assets are based on analysts' consensus price forecast. For each of the assets the sales price is calculated based on current contracts and a long-term development plan is established with an annual production schedule. This production schedule takes probable reserves into account as well as the best estimate for contingent resources, weighted by associated risk factors. The estimates for reserves and resources are made internally in accordance with the guidelines established by the Petroleum Resource Management System of the Society of Petroleum Engineers (PRMS-SPE). The development plan established for each asset takes into account the investments necessary for production of the estimated reserves and resources. Both investments and operating expenses are estimated using an annual inflation rate between 1.1% and 2.3%, depending on the country where the asset is located.

- Discount rate: The discount rate represents the current market assessment of the risks specific to CEPSA. The discount rate has been estimated according to the WACC calculated for each of the company's businesses and countries in which the company operates, and ranges from 6.5% to 14.3% (2015: from 6.5% to 12%).

Sensitivity to changes in assumptions
With regards to the estimated fair value less cost to sell, management assessed that no reasonably possible change in any of the above key assumptions would cause the carrying value of CEPSA to materiality exceed its recoverable amount as of 31 December 2016.

20 INVESTMENT PROPERTIES

	2016 ***US $ '000***	*2015* *US $ '000* *(Restated)*
Investment properties	**1,364,185**	1,020,069
Investment properties under development	**406,835**	826,199
Advances on investment properties	**92,616**	97,217
	1,863,636	1,943,485

Movements in investment properties are as follows:

	Investment properties	*Investment properties under development*	*Advances on Investment properties US $ '000*	*Total US $ '000*
2016				
At 1 January 2016 *(Restated)*	1,020,069	826,199	97,217	1,943,485
Additions	2,045	97,969	-	100,014
Acquired through business combination	-	-	-	-
Transfers	480,196	(480,196)	-	-
Disposals	(87,115)	-	-	(87,115)
Fair value gain (losses) - net	(51,010)	(37,137)	(4,601)	(92,748)
At 31 December 2016	**1,364,185**	**406,835**	**92,616**	**1,863,636**
2015				
At 1 January 2015 *(Restated)*	793,659	794,025	112,831	1,700,515
Additions	2,475	170,076	85,756	258,307
Acquired through business combination	177,639	-	-	177,639
Transfers	140,585	(26,233)	(114,352)	-
Disposals	(37,613)	-	-	(37,613)
Fair value gains (losses) - net	(56,676)	(111,669)	12,982	(155,363)
At 31 December 2015 *(Restated)*	1,020,069	826,199	97,217	1,943,485

Investment properties with a carrying value of US $ 161,386 thousand (31 December 2015: US $ 136,533 thousand) have been pledged as security for related borrowings and mortgages.

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

Investment property valuations were performed by independent professional valuers. The valuers are accredited with recognized and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and are considered to approximate those in accordance with IFRS for the Group's properties.

Rental income derived from investment properties amounts to US $ 10,747 thousand (2015: US $ 11,707 thousand) and direct operating expenses (including repairs and maintenance) is US $ 2,927 (2015: US $ 3,172 thousand)

20 INVESTMENT PROPERTIES continued

The cash flows from the assets are discounted using discount rates ranging from 9.50% – 11% (2015: 7% - 10%) that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Capitalization rates range from 8% - 9% (2015: 5.9% - 7.5%).

Sensitivity analysis was conducted for land bank & hospitality projects under construction in the investment property portfolio with an aggregate value of US $ 938,766 thousand (2015: US $ 898,571 thousand). The valuation techniques used for land bank is comparable method whilst hospitality projects are valued using residual value approach. The sensitivity analysis is conducted on the land fair values for land bank and Gross Development Value (GDV) and construction cost for the hospitality projects.

The land fair values range from US $ 42 - US $ 63 per square feet (2015: US $ 44 - US $ 64 per square feet) depending on location & size of plot.

Sensitivity to significant changes in unobservable inputs
An increase / decrease in the land market value by 10% would result in an US $ 70,449 thousand (2015: US $ 67,750 thousand).

An increase in the GDV by 5% in hospitality projects under construction would result in an increase in fair value of US $ 28,761 thousand (2015: US $ 24,693 thousand), whilst a decrease in the GDV by 5% would result in decrease of US $ 28,778 thousand (2015: US $ 35,068 thousand).

An increase in the construction cost by 10% in hospitality projects under construction would result in decrease in fair value of US $ 34,073 thousand (2015: US $ 43,312 thousand), whilst a decrease in the construction cost by 10% would result in an increase of US $ 34,056 thousand (2015: US $ 47,262 thousand).

There are interrelationships between the unobservable inputs that are generally determined by market conditions. The valuation may be affected by the interrelationship between the two noted unobservable inputs; for example, an increase in GDV may be offset by an increase in the construction cost, thus resulting in no net impact on the valuation.

21 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2016 ***US $ '000***	*2015* *US $ '000*
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 21.1)		
Held-for-trading	**393,858**	451,501
Designated on initial recognition	**966,020**	1,752,234
	1,359,878	2,203,735
Held to maturity investments	**5,518**	14,292
Available-for-sale financial assets (note 21.2)	**2,474,230**	2,321,331
	3,839,626	4,539,358
Derivative financial instruments (note 35)	**125,401**	299,199
	3,965,027	4,838,557
Non-current	**2,575,355**	2,551,732
Current	**1,389,672**	2,286,825
	3,965,027	4,838,557

21.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Percentage holding		*Carrying value*	
	2016	*2015*	***2016*** ***US $ '000***	*2015* *US $ '000*
UniCredit SpA shares (i)	**5.04%**	5.1%	**896,082**	1,679,900
Others			**463,796**	523,835
			1,359,878	2,203,735
Non - current			**95,575**	62,832
Current			**1,264,303**	2,140,903
			1,359,878	2,203,735

(i) This represents an investment in UniCredit SpA. The Group has taken collar and put options to fix the floor and cap price for movements in the share price of UniCredit SpA and to finance the acquisitions of shares. Shares in UniCredit SpA are pledged as collateral against a term loan. During 2016, the Group decided to unwind its collar position on the UniCredit SpA shares before its original maturity of November 2017 and thus releasing all its shares from collar.

21 INVESTMENTS IN FINANCIAL INSTRUMENTS continued

21.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Percentage holding		*Carrying value*	
	2016	*2015*	***2016***	*2015*
			US $ '000	*US $ '000*
Quoted investments:				
Glencore plc	**0.75%**	0.75%	**340,364**	132,436
Energias de Portugal	**4.06%**	4.06%	**451,771**	535,434
Cosmo Energy Holdings Co. Limited ("Cosmo")*	**20.76%**	20.76%	**247,237**	238,483
Oil Search Limited ("OSH")	**12.89%**	12.89%	**1,016,077**	959,747
OCI N.V.	**2.00%**	2.00%	**73,309**	104,038
Others			**146,772**	142,614
			2,275,530	2,112,752
Unquoted investments carried at fair value			**168,318**	171,356
Unquoted investments carried at cost			**30,382**	37,223
			2,474,230	2,321,331

*Although the Company owns 20.76% of the equity of Cosmo, the Company has concluded that it does not have the ability to exert significant influence over Cosmo. Accordingly, Cosmo is accounted for as an available-for-sale investment marked to market.

Quoted investments
The fair value of the quoted investments is determined by reference to published price quotations in an active market. During 2016, the Group recognized an impairment charge of US $ 73,440 (2015: US $ 945,685 thousand) on its quoted investments (note 11).

Unquoted investments
The fair value of the majority of unquoted investments has been estimated using valuation techniques based on assumptions that are not generally supported by observable market prices. The valuation requires management to make estimates about the expected future cash flows of the shares which are discounted at current rates (see note 36).

22 TRADE AND OTHER RECEIVABLES

	2016	*2015*
	US $ '000	*US $ '000*
Trade receivables	**2,560,482**	2,677,402
Loans and other amounts due from banking customers	**1,172,361**	1,318,327
Contract receivables	**441,332**	502,171
Amounts due from customers for contract work (note 33)	**591,119**	746,128
Retentions receivable	**299,935**	293,089
Advances paid to suppliers and sub-contractors	**314,491**	301,846
Contract work in progress	-	1,371
Balance due from related parties (note 43)	**193,427**	235,438
	5,573,147	6,075,772
Allowances for doubtful debts	**(274,255)**	(233,061)
	5,298,892	5,842,711
Non-current	**246,097**	244,639
Current	**5,052,795**	5,598,072
	5,298,892	5,842,711

22 TRADE AND OTHER RECEIVABLES continued

Retentions receivable represents amounts withheld by the customers in accordance with contract terms and conditions. These amounts are to be released upon fulfilment of contract obligations.

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

23 OTHER ASSETS

	2016 ***US $ '000***	*2015* *US $ '000* *Restated*
Prepayments and advances	**266,345**	304,012
Taxes receivable (iv)	**638,055**	571,150
Accrued income	**305,283**	104,486
Receivable from related parties (note 43)	**266,049**	692,673
Loans receivable	**681,361**	337,064
Receivable on assets disposed	**14,652**	12,345
Receivable on the transfer of ADCOP (note 43)	**400,000**	400,000
Receivable from 1MDB and/or MOF (note 42) (note ii)	**5,222,728**	5,096,703
Deferred expenditures	**46,884**	50,701
Restricted cash (reclassified from trade and other receivables) (note i)	-	147,925
Other receivables (note iii)	**1,316,685**	1,006,664
Other assets	**97,468**	180,462
	9,255,510	8,904,185
Allowance for impairment on receivables	**(804,784)**	(824,542)
	8,450,726	8,079,643
Non-current	**6,013,890**	5,604,832
Current	**2,436,836**	2,474,811
	8,450,726	8,079,643

(i) Restricted cash includes restricted account balances held as collateral for loans and letters of credit in respect of the Group's investments and projects. During 2016, restricted cash balance was fully realised along with its interest.

23 OTHER ASSETS continued

(ii) Receivable from 1MDB and/or MOF comprises of the following:

a) Advance of US $ 1,000,000 thousand as of 31 December 2016 (31 December 2015: US $ 1,000,000 thousand) provided under the Binding Term Sheet ("BTS") (note 42.3);

b) Cumulative interest payments of US $ 205,450 thousand as at 31 December 2016 (31 December 2015: US $ 102,725 thousand) out of which US $ 102,725 thousand (31 December 2015: US $ 102,725 thousand) were paid under the BTS (note 42.3) and US $ 102,725 thousand (31 December 2015: Nil) were paid under Guarantees (note 42.3);

c) Interest receivable accrued on the above payments amounting to US $ 35,328 thousand as of 31 December 2016 (31 December 2015: US $ 12,028 thousand) ;

d) Balance of consideration outstanding for the termination of certain options assignment agreements amounting to US $ 481,950 thousand (31 December 2015: US $ 481,950 thousand) (note 42.2); and

e) Reimbursement asset of US $ 3,500,000 thousand recorded on the recognition of a provision for the present value of the future probable payments under the Guarantees (note 42.1).

The Company has reached an agreement with 1MDB and MOF to recover recorded receivables under the terms of a settlement agreed on 22 April 2017 (the "Settlement") and the London Court of International Arbitration (to which disputes in relation to these matters had been submitted) made a Consent Award on 9 May 2017. Under the Consent Award, 1MDB and/or MOF are required to pay the Company an amount of US $ 602,725 thousand by 31 July 2017 and a further amount of US $ 602,725 thousand by 31 December 2017, and to indemnify the Company in respect of any further payments the Company may be called on to make under the Guarantees (see Note 42.6 below).

(iii) During 2015, this amount was reclassified out of “receivable from related parties” to “other receivables” due to a change in key management personnel of the Company.

(iv) Taxes receivable include current income tax receivable amounting to US $ 217,007 thousand (31 December 2015: US $ 161,304 thousand).

24 INVENTORIES

	2016 ***US $ ‘000***	*2015* *US $ ‘000*
Raw materials	**962,664**	840,310
Spare parts	**238,019**	229,631
Consumables	**100,788**	97,984
Work in progress	**5,121**	8,650
Finished goods	**1,749,852**	1,955,817
Consignments	**326**	369
In transit	**153,476**	114,907
	3,210,246	3,247,668
Allowance for obsolescence / net realisable value adjustments	**(29,357)**	(399,500)
	3,180,889	2,848,168

Movements in the allowance for obsolescence / net realisable value adjustments are as follows:

	2016 ***US $ ‘000***	*2015* *US $ ‘000*
At 1 January	**(399,500)**	(636,608)
Allowance movement - net	**(7,230)**	57,207
Reversal of previously written-down inventories (note 14)	**377,373**	179,901
At 31 December	**(29,357)**	(399,500)

25 CASH AND CASH EQUIVALENTS

	2016 ***US $ '000***	*2015* *US $ '000*
Bank balances:		
deposit accounts	**1,906,634**	1,311,206
call and current accounts	**3,761,853**	3,917,095
Cash in hand	**282,566**	127,626
Cash and short term deposits	**5,951,053**	5,355,927

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. Bank balances include US $ 1,006,538 thousand (2015: US $ 575,932 thousand) held with entities under common control (see note 43). The Group's exposure to credit, currency and interest rate risk related to cash and short term deposits is disclosed in note 37.

26 SHARE CAPITAL

	Authorised		***Issued and fully paid***	
	2016 ***US $ '000***	*2015* *US $ '000*	***2016*** ***US $ '000***	*2015* *US $ '000*
Ordinary shares of US $ 1,000 each	**5,000,000**	5,000,000	**3,500,000**	3,500,000

27 SHAREHOLDER LOAN

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

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

28 OTHER RESERVES

	Cumulative changes in fair value of available-for-sale investments US $ '000	*Foreign currency translation reserve US $ '000*	*Reserve for cash flow hedges US $ '000*	*Reserve for actuarial gains and losses US $ '000*	*Share of reserves of associates US $ '000*	*Total US $ '000*
Balance at 1 January 2015	2,031,709	(3,759,339)	(99,719)	(242,325)	(24,971)	(2,094,645)
Other comprehensive loss for the year	146,013	(1,707,279)	45,172	17,375	58,957	(1,439,762)
Movements in other reserves	(74)	61,139	-	5	-	61,070
Balance at 31 December 2015	2,177,648	(5,405,479)	(54,547)	(224,945)	33,986	(3,473,337)
Other comprehensive loss for the year	245,546	(362,312)	(19,224)	(51,225)	3,623	(183,592)
Movements in other reserves	2,068	26	-	(2,438)	(405)	(749)
Balance at 31 December 2016	**2,425,262**	**(5,767,765)**	**(73,771)**	**(278,608)**	**37,204**	**(3,657,678)**

29 BORROWINGS

	2016 ***US $ '000***	*2015* *US $ '000*
Listed notes and other borrowing instruments	**12,274,901**	13,901,976
Unlisted borrowings	**12,820,672**	12,903,800
Overdrafts	**578,496**	767,044
Others	**3,767**	4,362
	25,677,836	27,577,182
Non-current	**22,104,284**	19,507,767
Current	**3,573,552**	8,069,415
	25,677,836	27,577,182

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

	2016 ***US $ '000***	*2015* *US $ '000*
The Company	**12,544,700**	13,066,622
Aabar	**7,069,004**	7,217,918
NOVA	**997,448**	997,765
Borealis	**1,486,052**	1,785,551
CEPSA	**3,580,632**	4,509,326
	25,677,836	27,577,182

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

	2016 ***US $ '000***	*2015* *US $ '000*
EUR	**12,657,312**	11,810,357
USD	**10,655,189**	12,286,497
GBP	**710,114**	1,343,855
AED	**523,800**	994,430
JPY	**576,255**	560,064
CNY	**443,435**	486,976
Others	**111,731**	95,003
	25,677,836	27,577,182

As of 31 December 2016 and 2015, the Company has not guaranteed the borrowings of any of the Group companies. However, the Company has provided joint guarantees with 1Malaysia Development Berhad ("1MDB"), a strategic development company wholly-owned by the Government of Malaysia (see note 42 for further details) in relation to certain obligations (principal and associated interests) of subsidiaries of 1MDB. The principal amount of the obligations is US $ 3,500,000 thousand.

29 BORROWINGS continued

Listed notes and other borrowing instruments

	Maturity (Year)	*Currency*	*Coupon rate*	***2016 US $ '000***	*2015 US $ '000*
IPIC - Bond 1	2020	US $	5.000%	**1,490,836**	1,488,913
IPIC - Bond 3	2021	EUR	5.875%	**1,299,818**	1,339,671
IPIC - Bond 4 (note ii)	2016	EUR	4.875%	**-**	1,355,945
IPIC - Bond 5	2026	GBP	6.875%	**673,271**	
IPIC - Bond 6	2022	US $	5.500%	**1,496,097**	1,493,897
IPIC - Bond 7 (note ii)	2017	US $	3.750%	**1,499,561**	1,497,534
IPIC - Bond 8	2041	US $	6.875%	**743,319**	743,216
IPIC - Bond 10	2018	EUR	2.375%	**839,471**	865,692
IPIC - Bond 11	2023	EUR	3.625%	**885,733**	913,680
Aabar - Exchangeable bond 2 (note i)	2020	EUR	0.50%	**1,017,350**	1,039,164
Aabar - Exchangeable bond 3 (note i)	2022	EUR	1.00%	**997,128**	1,018,399
Borealis - Bond 1	2017	EUR	5.375%	**210,340**	217,240
Borealis - Bond 2	2019	EUR	4.000%	**131,463**	135,775
NOVA - Bond 6	2023	US $	5.250%	**495,474**	494,786
NOVA - Bond 7	2025	US $	5.000%	**495,040**	494,444
				12,274,901	13,901,976

(note i) - In March 2015, Aabar issued EUR 1,000,000 thousand 0.50% 5 year and EUR 1,000,000 thousand 1.00% 7 year senior unsecured exchangeable bonds, exchangeable into UniCredit SpA shares ("the UniCredit Exchangeable Bonds"). The UniCredit Exchangeable Bonds are quoted hybrid securities consisting of a straight bond and an embedded call option with a fixed strike price to exchange the bond for either UniCredit SpA shares, or cash of an equivalent value.

(note ii) – IPIC – Bond 4 and IPIC – Bond 7 were completely repaid in May 2016 and March 2017 on maturity.

29 BORROWINGS continued

Unlisted borrowings

	Maturity (Year)	*Currency*	***2016 US $ '000***	*2015 US $ '000*
IPIC - Loan 15	2018	JPY	**576,255**	560,064
IPIC - Loan 16 (note i)	2016	EUR / US $	**-**	934,306
IPIC - Loan 17 (note i)	2019	EUR / US $	**921,811**	931,172
IPIC - Loan 18 (note ii)	2019	EUR	**839,001**	-
IPIC - Loan 19 (note iii)	2019	US $	**526,519**	-
IPIC - Bond 12 (note iv)	2021	US $	**694,760**	-
Aabar - Loan 16 (note v)	2016	US $	**-**	492,515
Aabar - Loan 17 (note v)	2016	AED	**-**	356,026
Aabar - Loan 18 (note v)	2016	EUR	**-**	550,480
Aabar - Loan 19 (note v)	2018	US $	**-**	286,463
Aabar - Loan 20 (note v)	2018	AED	**-**	234,621
Aabar - Loan 21(note v)	2018	EUR	**-**	386,843
Aabar - Loan 23 (note v)	2016	GBP	**-**	496,000
Aabar - Loan 25(note ix)	2017	EUR	**-**	464,040
Aabar - Loan 26 (note v)	2019	EUR	**-**	732,952
Aabar - Loan 27(note viii)	2017	EUR	**-**	373,493
Aabar - Loan 28 (note vi)	2021	EUR	**3,739,467**	-
Aabar – Loan 29 (note x)	2020	EUR	**157,826**	-
Aabar – Loan 30 (note vii)	2019	EUR	**368,260**	-
Borealis- Loan 1	2018	EUR	**126,204**	130,344
Borealis- Loan 3	2016 - 2028	EUR / US $	**157,755**	162,930
CEPSA- Loan 1	2018	EUR	**139,681**	209,518
CEPSA- Loan 7	2022	US $	**118,316**	142,564
CEPSA- Loan 18	2019	US $	**269,385**	269,380
CEPSA- Loan 19	2020	EUR	**274,374**	274,369
CEPSA- Loan 21	2017	CNY	**-**	588,645
CEPSA- Loan 22	2024	US $	**296,827**	324,312
CEPSA- Loan 25	2021	US $	**149,658**	149,656
CEPSA- Loan 26	2015	US $	**147,663**	127,706
CEPSA- Loan 27	2019	US $	**338,950**	389,104
CEPSA- Loan 28	On demand	US $	**-**	296,908
CEPSA- Loan 29	2016	US $	**219,499**	219,495
Other unlisted borrowings			**2,758,461**	2,982,824
			12,820,672	12,903,800

Analysed as follows:

	2016 US $ '000	*2015 US $ '000*
Fixed interest rate loans	**2,122,946**	2,425,482
Variable interest rate loans	**10,697,726**	10,478,318
	12,820,672	12,903,800

All variable interest rate loans carry interest rates at applicable inter-bank rates plus a margin.

(note i) - On 19 December 2013, the Company entered into US $ 1,000,000 thousand 3 years and US $ 1,000,000 thousand 6 years multicurrency revolving facilities agreement with an interest rate at a margin over, in relation to any loan in US $, LIBOR or, in relation to any loan in euro, EURIBOR. The US $ 1,000,000 thousand 3 years facility was completely repaid in December 2016 on maturity. At 31 December 2016, the US $ 1,000,000 thousand 6 years facility was fully drawn (31 December 2015: 6 years facility was fully drawn).

(note ii) - On 29 June 2016, the Company entered into EUR 800,000 thousand 3 year EUR currency revolving facility agreement with an interest rate at a margin over EURIBOR. At 31 December 2016, the facility was fully drawn.

(note iii) - On 1 July 2016, the Company entered into a EUR 500,000 thousand revolving credit facility which pays a margin over EURIBOR with a maturity on 1 July 2019. At 31 December 2016, the facility was fully drawn.

29 BORROWINGS continued

Unlisted borrowings continued

(note iv) - On 19 December 2016, the Company issued US $ 700,000 thousand 3.386 % 5 year unlisted bonds

(note v) - During the period from March 2016 to April 2016, Aabar repaid the following loan facilities:

- USD 1,500,000 thousand 3 year senior unsecured term loan (Aabar – Loans 16-18).
- EUR 90,000 thousand 3 year senior unsecured term loan.
- GBP 338,064 thousand 3 year senior secured term loan (Aabar – Loan 23).
- EUR 675,000 thousand 5 year senior unsecured term loan (Aabar – Loan 26).
- USD 1,000,000 thousand 5 year senior unsecured term loan (Aabar – Loans 19-21).

(note vi) - On 17 March 2016, Aabar has entered into loan agreements of EUR 2,100,000 thousand 5 year senior EURIBOR unsecured term loan and EUR 1,500,000 thousand 5 year senior EURIBOR unsecured revolving loan. The loans are repayable on 2021.

(note vii) - On 1 July 2016, Aabar entered into a three year EUR 350,000 thousand loan facility with an interest rate margin over Euribor.

(note viii) - In July 2016, Aabar repaid its EUR 343,962 thousand (Aabar – Loan 27) loan facility maturing in November 2017.

(note ix) - In August 2016, Aabar decided to unwind its collar position on the UniCredit SpA shares before its original maturity of November 2017. Proceeds from the collar unwind were used to partially repay the EUR 427,350 thousand (Aabar - Loan 25) collar loan facility maturing in November 2017 associated with the collar structure.

(note x) - On 21 October 2016, Aabar entered into a four year EUR 150,000 thousand loan facility with an interest rate margin over EURIBOR.

(note xi) - All of IPIC loans are unsecured. Aabar loans are unsecured, except for Aabar – Loan 23, 25 and 27 which are secured through pledges on land mortgage and certain securities as of 31 December 2016.

(note xii) - All loans within Others are individually less than US $ 150,000 thousand and are unsecured except for an amount of US $ 6,934 thousand (31 December 2015: US $ 8,535 thousand) which is secured on property, plant and equipment.

The Group is required to comply with certain covenants in case of bank borrowings. Certain subsidiaries of the Group had not been able to comply with certain covenants. As the Group does not have an unconditional right to defer the settlement of the outstanding amounts before the year end, the outstanding balances relating to such bank facilities have been classified under current liabilities. In 2016, most of these loans were settled in full. For the remaining loans, management, based on their ongoing discussions with banks, is confident that this will not have any significant implications on the facilities provided by the banks.

Overdrafts

	Maturity (Year)	*Currency*	***2016 US $ '000***	*2015 US $ '000*
IPIC - Overdraft	On demand	US $	**58,247**	138,913
Other overdrafts	On demand	EUR / US $ / AED	**520,249**	628,131
			578,496	767,044

IPIC overdraft has an undrawn amount of US $ 1,369,753 thousand as at 31 December 2016 (31 December 2015: US $ 1,289,087 thousand).

All overdrafts within Other overdrafts are unsecured except for an amount of US $ 344,598 thousand (31 December 2015: US $ 262,313 thousand) which is secured on property, plant and equipment and project proceeds.

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

30 EMPLOYEES' BENEFIT LIABILITIES

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

	2016 ***US $ '000***	*2015* *US $ '000*
Wages and salaries	**1,779,281**	1,607,326
Defined contribution plans	**85,624**	93,269
Defined benefit plans	**67,994**	55,122
Bonuses	**144,092**	149,960
Others	**285,721**	462,349
	2,362,712	2,368,026

The number of employees of the Group at 31 December 2016 was 72,823 (31 December 2015: 81,760).

Employees' defined benefit plan (asset) liabilities amounts recognised in the consolidated statement of financial position are as follows:

	2016 ***US $ '000***	*2015* *US $ '000*
Employee end of service benefits	**63,396**	58,786
Pensions	**597,513**	529,686
Defined benefit plan liabilities	**660,909**	588,472
Defined benefit plan asset	**46,521**	48,000

Defined benefit plan liabilities is analysed as follows:

Unfunded	**162,497**	111,331
Partly funded	**409,135**	345,979
Wholly funded	**89,277**	131,162
	660,909	588,472

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

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

	2016 ***US $ '000***	*2015* *US $ '000*
Current service cost	**48,783**	46,659
Interest cost on benefit obligation	**50,693**	51,810
Interest income on plan assets	**(38,218)**	(37,421)
Past service cost	**4,745**	234
Others	**1,991**	(6,160)
Net defined benefit expense	**67,994**	55,122

30 EMPLOYEES' BENEFIT LIABILITIES continued

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

	2016 ***US $ '000***	*2015* *US $ '000*
Defined benefit obligations	**(1,766,563)**	(1,597,535)
Fair value of plan assets	**1,169,050**	1,067,849
Benefit liabilities	**(597,513)**	(529,686)

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

	2016 ***US $ '000***	*2015* *US $ '000*
Benefit obligations at beginning of year	**(1,597,535)**	(1,848,151)
Current service costs	**(48,783)**	(46,659)
Current interest costs	**(50,963)**	(51,810)
Contributions by employees	**(3,871)**	(4,554)
Past service costs	**(4,745)**	(234)
Actuarial (losses) gains on obligation due to:		
Changes in demographic assumptions	**(13,617)**	(31,158)
Changes in financial assumptions	**(75,258)**	47,779
Experience (losses) gains	**(17,631)**	9,793
Acquisition of business	**(57,653)**	-
Benefits paid from plan	**77,718**	98,253
Liabilities extinguished on settlements	**5,419**	55,496
Foreign exchange differences	**17,356**	173,710
Benefit obligations at end of the year	**(1,766,563)**	(1,597,535)

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

	2016 ***US $ '000***	*2015* *US $ '000*
Fair value of plan assets at beginning of year	**1,067,849**	1,203,896
Interest income on plan assets	**38,218**	37,421
Contributions by employees	**3,871**	4,554
Employer's contributions	**78,716**	119,480
Actuarial (losses) gains on obligation due to changes in financial assumptions	**(10,368)**	15,961
Experience losses (gains)	**7,823**	(4,954)
Acquisition of business	**57,267**	-
Benefits paid from plan	**(77,718)**	(98,253)
Assets distributed on settlement	**(958)**	(46,203)
Foreign exchange differences	**4,350**	(164,053)
Fair value of plan assets at end of year	**1,169,050**	1,067,849

The present value of defined benefit obligation is significantly dependent upon the discount rate and rate of salary increases.

30 EMPLOYEES' BENEFIT LIABILITIES continued

The major categories of plan assets are as follows:

	2016 ***US $ '000***	*2015* *US $ '000*
Investments quoted in active markets		
Cash and cash equivalents	**10,688**	2,722
Equity instruments	**36,920**	18,283
Fixed income securities	**682,900**	30,687
Real estate	**3,637**	6,717
Investment funds	**9,526**	4,872
Others	**3,445**	5,752
Unquoted investments		
Cash and cash equivalents	**6,791**	9,445
Equity instruments	**119,550**	152,181
Fixed income securities	**72,973**	667,134
Others	**222,620**	170,056
Fair value of plan assets at end of year	**1,690,050**	1,067,849

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

	2016 ***%***	*2015* *%*
Rate of salary increases	**3.1% - 4.2%**	3.1% - 4.2%
Rate of increase in pensions payments	**0.5% - 1.8%**	0.5% - 1.5%
Discount rate	**1.7% - 3.8 %**	2.3% - 4.0 %

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is shown below:

	Change *%*	***Impact on defined benefit obligation US $ '000***	*Change* *%*	***Impact on defined benefit obligation US $ '000***
Rate of salary increases	**+1.0%**	**(37,290)**	+1.0%	(41,678)
Rate of increase in pensions payments	**+1.0%**	**(57,678)**	+1.0%	(24,287)
Discount rate	**+0.5%**	**(17,127)**	+0.5%	99,879

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in the key assumptions occurred as at 31 December 2016.

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to US $ 70,539 thousand (2015: US $ 70,357 thousand).

The average duration of the defined benefit obligations at 31 December 2016 is 14 years (31 December 2015: 14 years).

31 PROVISIONS

	Decommissioning *US $ '000*	*Legal disputes* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
At 1 January 2016	232,288	114,433	561,606	908,327
Additions	47,053	105,272	111,649	263,974
Accretion expenses	7,529	7,083	2,058	16,670
Utilised	-	(11,816)	(95,808)	(107,624)
Reversed	(3,795)	(18,137)	(109,695)	(131,627)
Exchange adjustments	(848)	(7,612)	(6,957)	(15,417)
At 31 December 2016	**282,227**	**189,223**	**462,853**	**934,303**

	2016 ***US $ '000***	*2015* *US $ '000*
Classified as:		
Non-current	**771,619**	719,713
Current	**162,684**	188,614
	934,303	908,327

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

(ii) Provision for legal disputes covers the best estimate of the Group's exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. Refer to note 41 for litigations and contingencies.

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

32 TRADE AND OTHER PAYABLES

	2016 ***US $ '000***	*2015* *US $ '000*
Trade payables	**3,471,156**	3,081,630
Customer deposits and other amounts due to banking customers	**2,177,640**	2,631,173
Balance due to related parties (note 43)	**315,877**	356,847
Due to banks	**125,926**	173,492
Advances received from customers for contract work	**499,329**	492,060
Amounts due to customers for contract work (note 33)	**79,177**	30,310
Amounts due to subcontractors	**173,589**	598,530
Subcontractor's retentions payable	**177,108**	155,253
Other payables	**62,432**	3,866
	7,082,234	7,523,161
Non-current	**104,674**	90,703
Current	**6,977,560**	7,432,458
	7,082,234	7,523,161

33 AMOUNTS DUE FROM / (TO) CUSTOMERS FOR CONTRACT WORK

	2016 ***US $ '000***	*2015* *US $ '000*
Amounts due from customers for contract work included in trade and other receivables (note 22)	**591,119**	746,128
Amounts due to customers for contract work included in trade and other payables (note 32)	**(79,177)**	(30,310)
	511,942	715,818
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**10,067,264**	7,600,815
Less: progress billings	**(9,555,322)**	(6,884,997)
	511,942	715,818

34 OTHER LIABILITIES

	2016 ***US $ '000***	*2015* *US $ '000*
Accruals	**2,030,087**	1,476,349
Taxes payable (i)	**540,180**	500,028
Advances and deposits received	**60,541**	54,449
Payable to related parties (note 43)	**92,491**	92,766
Payable on assets acquisition	**-**	641
Deferred income	**213,925**	266,766
Other payables	**91,434**	105,823
Other liabilities	**355,158**	257,507
	3,383,816	2,754,329
Classified as:		
Non- current	**319,096**	350,510
Current	**3,064,720**	2,403,819
	3,383,816	2,754,329

(i) Taxes payable include current income tax payable amounting to US $ 187,819 thousand (31 December 2015: US $ 166,543 thousand).

35 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Hedge of net investments in foreign operations
During the year ended 31 December 2016, a set of borrowings amounting to EUR 4,747,113 thousand had been designated as a hedge of the net investment in CEPSA. These borrowings were used to hedge the Group's exposure to EUR foreign exchange risk on this investment. Gains or losses on the retranslation of these borrowings were transferred to other comprehensive income to offset any gains or losses on translation of foreign operations. There was no ineffectiveness recorded as at 31 December 2016.

In 2015, the Group entered into partial cross currency fixed to fixed USD/EUR swap ("CCS") on its 5.5% US $ 1,500,000 thousand, 6.875% US $ 750,000 thousand and 3.75% US $ 1,500,000 thousand, due March 2022, March 2041 and March 2017, and with notional amounts of EUR 846,166 thousand, EUR 423,132 thousand and EUR 846,581 thousand respectively. At 1 January 2016, the management designated the CCS derivatives as hedging instruments against the hedge of net investments in Borealis (excluding Borouge) and in OMV (an equity-accounted associate) with the similar nominal amounts. Gains or losses on the retranslation of these hedging instruments were transferred to other comprehensive income to offset any gains or losses on translation of foreign operations. There was no ineffectiveness recorded as at 31 December 2016.

35 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	Assets 2016 US $'000	***Liabilities 2016 US $'000***	*Assets 2015 US $'000*	*Liabilities 2015 US $'000*
Derivatives held-for-trading				
Interest rate swaps	**-**	**133,561**	56,507	62,912
Currency forwards	**28,812**	**20,205**	79,185	43,990
Currency swaps	**12,022**	**-**	-	-
Currency options	**2,856**	**1,987**	709	34,699
Equity options and collars (note 11 (iii))	**-**	**-**	96,506	3,670
Commodity swaps	**16,582**	**14,238**	15,415	11,946
Commodity futures	**1,122**	**4,489**	3,972	6,961
	61,394	**174,480**	252,294	164,178
Derivatives used as hedge of net investments				
Currency forwards	**-**	**20,751**	100	32,701
Derivatives used as cash flow hedges				
Interest rate swaps	**1,578**	**4,229**	-	11,551
Currency forwards	**841**	**12,915**	3,973	2,967
Commodity swaps	**21,410**	**19,573**	37,284	36,424
Other swap arrangements	**40,178**	**17,736**	5,548	55,917
	64,007	**54,453**	46,805	106,859
	125,401	**249,684**	299,199	303,738
Non-current	**29,796**	**145,051**	153,277	89,854
Current	**95,605**	**104,633**	145,922	213,884
	125,401	**249,684**	299,199	303,738

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

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

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

35 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

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

	0-3 months US $ '000	*3-12 months US $ '000*	*1-3 years US $ '000*	*3-5 years US $ '000*	*>5 years US $ '000*	*Total US $ '000*
2016						
Cash outflow						
Trading derivatives and economic hedges	**(119,865)**	**(10,693)**	**(7,373)**	**(44,396)**	**(131,579)**	**(313,906)**
Derivatives for cash flow hedges	**(85,638)**	**(335,206)**	**(34,009)**	**(24,618)**	**(12,185)**	**(491,656)**
Derivatives for fair value hedges	**(20,751)**	**-**	**-**	**-**	**-**	**(20,751)**
	(226,254)	**(345,899)**	**(41,382)**	**(69,014)**	**(143,764)**	**(826,313)**
Cash inflow						
Trading derivatives and economic hedges	**127,191**	**13,250**	**18,819**	**41,527**	**-**	**200,787**
Derivatives for cash flow hedges	**94,023**	**328,581**	**40,371**	**24,294**	**13,752**	**501,021**
Derivatives for fair value hedges	**-**	**-**	**-**	**-**	**-**	**-**
	221,214	**341,831**	**59,190**	**65,821**	**13,752**	**701,808**
	(5,040)	**(4,068)**	**17,808**	**(3,193)**	**(130,012)**	**(124,505)**
2015						
Cash outflow						
Trading derivatives and economic hedges	(256,380)	(47,484)	(1,268)	-	(63,661)	(368,793)
Derivatives for cash flow hedges	(96,691)	(432,634)	(45,580)	(31,054)	(25,240)	(631,199)
Derivatives for fair value hedges	(32,701)	-	-	-	-	(32,701)
	(385,772)	(480,118)	(46,848)	(31,054)	(88,901)	(1,032,693)
Cash inflow						
Trading derivatives and economic hedges	293,628	14,175	92,481		56,507	456,791
Derivatives for cash flow hedges	94,318	395,026	30,965	25,364	25,373	571,046
Derivatives for fair value hedges	100	-	-	-	-	100
	388,046	409,201	123,446	25,364	81,880	1,027,937
	2,274	(70,917)	76,598	(5,690)	(7,021)	(4,756)

36 FAIR VALUE MEASUREMENT

Fair values

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

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

	Carrying amount		*Fair value*	
	2016	*2015*	***2016***	*2015*
	US $ '000	*US $ '000 Restated*	***US $ '000***	*US $ '000 Restated*
Financial assets				
Derivative financial assets	**125,401**	299,199	**125,401**	299,199
Portfolio investments				
Held to maturity investments	**5,518**	14,292	**5,518**	14,292
Investments at fair value through profit or loss				
Held for trading	**393,858**	451,501	**393,858**	451,501
Designated on initial recognition	**966,020**	1,752,234	**966,020**	1,752,234
Available-for-sale investments				
(Including investment carried at cost)	**2,474,230**	2,321,331	**2,474,230**	2,321,331
Trade receivables	**5,298,892**	5,842,711	**5,298,892**	5,842,711
Other assets*	**8,450,726**	8,079,643	**8,450,726**	8,079,643
Cash and short-term deposits	**5,951,053**	5,355,927	**5,951,053**	5,355,927
	23,665,698	24,116,838	**23,665,698**	24,116,838
Financial liabilities				
Trade payables	**7,082,234**	7,523,161	**7,082,234**	7,523,161
Borrowings	**25,677,836**	27,577,182	**27,148,842**	29,098,697
Derivative financial liabilities	**249,684**	303,738	**249,684**	303,738
Other liabilities*	**2,634,782**	2,754,329	**2,634,782**	2,754,329
	35,644,536	38,158,410	**37,115,542**	39,679,925

*Other assets includes non-financial assets of US $ 313,229 thousand (2015: US $ 354,713 thousand) while other liabilities include non-financial liabilities of US $ 60,541 thousand (2015: US $ 54,449 thousand).

The fair value of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

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

  As at 31 December 2016, the marked to market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

36 FAIR VALUE MEASUREMENT continued

Fair values continued

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

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

- Fair value of fixed and variable rate borrowings also approximate their carrying amounts except for listed notes. Listed notes are fair valued at the quoted market price as at 31 December 2016.

- Long-term trade receivables and other assets are valued by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such trade receivables and other assets, net of allowances, are not materially different from their calculated fair values.

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

Fair value hierarchy

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

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

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

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

36 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities. Below assets and liabilities are valued at 31 December 2016 and 2015

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

	Total *US $ '000*	*Quoted price in active markets (Level 1)* *US $ '000*	*Significant observable inputs (Level 2)* *US $ '000*	*Significant unobservable inputs (Level 3)* *US $ '000*
Assets measured at fair value				
Derivative financial assets				
Currency	**1,578**	**-**	**1,578**	**-**
Equity	**44,531**	**-**	**44,531**	**-**
Commodity	**39,114**	**-**	**39,114**	**-**
Others	**40,178**	**-**	**40,178**	**-**
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	**393,858**	**357,720**	**12,886**	**23,252**
Designated on initial recognition	**966,020**	**906,386**	**24,494**	**35,140**
Available-for-sale investments				
Quoted equity shares	**2,246,510**	**2,246,510**	**-**	**-**
Unquoted equity shares	**155,287**	**-**	**-**	**155,287**
Quoted debt securities	**42,051**	**42,051**	**-**	**-**
Investment properties	**1,863,636**	**-**	**-**	**1,863,636**
Assets for which fair values are disclosed:				
Investments in listed associates	**3,714,484**	**3,714,484**	**-**	**-**
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	**6,210**	**-**	**6,210**	**-**
Currency	**55,858**	**-**	**55,858**	**-**
Commodity	**34,927**	**-**	**34,927**	**-**
Others	**152,689**	**-**	**152,689**	**-**
Liabilities for which fair values are disclosed:				
Borrowings				
Listed notes and other borrowing instruments	**13,618,688**	**11,247,711**	**2,370,977**	**-**
Unlisted borrowings	**13,522,862**	**-**	**13,522,862**	**-**
Others	**3,767**	**-**	**935**	**2,832**

36 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2015:

	Total *US $ '000*	*Quoted price in active markets (Level 1)* *US $ '000*	*Significant observable inputs (Level 2)* *US $ '000*	*Significant unobservable inputs (Level 3)* *US $ '000*
Assets measured at fair value				
Derivative financial assets				
Currency	83,967	-	83,967	-
Equity	96,507	-	96,507	-
Commodity	56,671	-	56,671	-
Others	62,055	-	62,055	-
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	451,501	436,650	14,851	-
Designated on initial recognition	1,752,234	1,689,401	29,235	33,598
Available-for-sale investments				
Quoted equity shares	2,085,009	2,085,009	-	-
Unquoted equity shares	159,850	-	-	159,850
Quoted debt securities	39,249	39,249	-	-
Investment properties	1,943,485	-	-	1,943,485
Assets for which fair values are disclosed:				
Investments in listed associates	3,128,714	3,128,714	-	-
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	11,551	-	11,551	-
Currency	114,357	-	114,357	-
Equity	3,670	-	3,670	-
Commodity	55,331	-	55,331	-
Others	118,829	-	118,829	-
Liabilities for which fair values are disclosed:				
Borrowings				
Listed notes and other borrowing instruments	15,273,283	12,829,132	2,444,151	-
Unlisted borrowings	13,821,052	8,535	13,812,517	-
Others	4,362	-	430	3,932

36 FAIR VALUE MEASUREMENT continued

Reconciliation of fair value measurements of Level 3 financial assets

For fair value measurements in Level 3 of the fair value hierarchy, reconciliation from beginning balances to ending balances, disclosing separately changes during the year attributable, is as follows:

	Opening balance US $ '000	*Additions US $ '000*	*Disposals/ Transfers US $ '000*	*Fair value gain (loss) US $ '000*	*Exchange difference US $ '000*	*Total US $ '000*
31 December 2016						
Investment properties	**1,943,485**	**100,014**	**(87,115)**	**(92,748)**	**-**	**1,863,636**
Portfolio investments						
Investments at FVTPL						
Held for trading	**-**	**59,940**	**42,535**	**(81,491)**	**2,268**	**23,252**
Designated on initial recognition	**33,598**	**3,413**	**-**	**(1,868)**	**(3)**	**35,140**
Available-for-sale investments						
Unquoted equity shares	**159,850**	**645**	**(5,248)**	**-**	**40**	**155,287**
	2,136,933	**164,012**	**(49,828)**	**(176,107)**	**2,305**	**2,077,315**
31 December 2015						
Investment properties	1,700,515	435,946	(37,613)	(155,363)	-	1,943,485
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	29,670	5,140	-	(1,212)	-	33,598
Available-for-sale investments						
Unquoted equity shares	367,327	508	(190,350)	-	(17,635)	159,850
	2,097,512	441,594	(227,963)	(156,575)	(17,635)	2,136,933

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk

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

The sensitivity analyses in the following sections relate to the positions as at 31 December 2016 and 2015.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2016.

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

Interest rate risk

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

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

With all other variables held constant, a 50 basis points ("bps") decrease in interest rates will increase the Group's profit by US $ 56,674 thousand (2015: US $ 58,635 thousand), through the impact on all floating rate borrowings. There is no material impact on the Group's equity.

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

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

Foreign currency risk

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

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

	Change %	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
2016			
CHF	+50 bp	**696**	**-**
EUR	+50 bp	**(103,552)**	**(29,861)**
JPY	+50 bp	**(91)**	**(11)**
CAD	+50 bp	**(3,298)**	**375**
GBP	+50 bp	**(4)**	**7,048**
Others	+50 bp	**5,527**	**14,582**
		(100,722)	**(7,867)**
2015			
CHF	+50 bp	586	-
EUR	+50 bp	(23,127)	(355,625)
JPY	+50 bp	(189)	(10)
CAD	+50 bp	4,112	(146)
GBP	+50 bp	(11,781)	122
Others	+50 bp	(395)	101,935
		(30,794)	(253,724)

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

Commodity price risk

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

A fall in the level of crude oil prices has a negative impact on the earnings of the exploration and production division. Furthermore, this impact can be dampened due to the application of the clauses of the Production Sharing Contract (PSC)-type agreements and their effect on the quantities of crude oil to be received by the Group, particularly CEPSA, and that are available-for-sale.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

Commodity price risk continued

Fluctuations in crude oil prices also have an inverse effect on product refining and marketing operations, the extent of which depends on the speed with which price changes in energy products or base petrochemical products at source is relayed to the international and local finished goods markets.

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

		2016		*2015*	
	Change	***Effect on profit before tax US $ '000***	***Effect on equity US $ '000***	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
Crude oil	**+10%**	**4,126**	**-**	35,533	-
Natural gas	**+10%**	**-**	**1,494**	-	1,659
Electricity	**+10%**	**-**	**26,430**	-	18,708
Propylene	**+10%**	**10,516**	**(394)**	10,977	-
Polyethelene	**+10%**	**169,513**	**-**	173,624	-
Other petrochemical feedstock*	**+10%**	**41,545**	**(4,119)**	47,946	(1,845)

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

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

Equity price risk

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

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

		2016		*2015*	
	Change	***Effect on profit before tax US $ '000***	***Effect on equity US $ '000***	*Effect on profit before tax US $ '000*	*Effect on equity US $ '000*
Europe	**+10%**	**97,679**	**86,544**	135,940	77,198
Middle East (excluding UAE)	**+10%**	**-**	**15,000**	-	15,000
North America	**+10%**	**-**	**-**	599	-
Asia and Pacific	**+10%**	**-**	**129,393**	-	121,447
Africa	**+10%**	**-**	**6,866**	-	7,771

A 10% decrease in equity prices would have resulted in equivalent but opposite impact assuming the decline does not represent an impairment.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk

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

The Group has established certain internal regulation and procedures relating to loan collection which are periodically updated. These regulations include, among other aspects, determining commercial credit limits for each client, monitoring and control of assigned credit limits, establishing more appropriate collection tools, and actions to be taken for management and collection of overdue payments.

The Group also uses risk analysis computer systems to process internal and external data in an integrated and automated manner. Such data are assessed by applying the models established to classify each customer's commercial risk, the analyst risk's evaluation and assign the related credit limit. Insurance policies have also been taken out to cover the risk of customer default in certain commercial areas.

Trade and other receivables

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

Financial instruments and cash deposits

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

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

Risk concentrations: maximum exposure to credit risk

	2016		*2015*	
	Carrying value US $ '000	***Maximum credit exposure US $ '000***	*Carrying value US $ '000*	*Maximum credit exposure US $ '000*
On balance sheet				
Derivative financial assets	**125,401**	**125,401**	299,199	299,199
Held to maturity investments	**5,518**	**5,518**	14,292	14,292
Trade and other receivables (note (i))	**5,298,892**	**6,170,793**	5,842,711	6,944,693
Other assets	**8,450,726**	**8,450,726**	8,079,643	9,517,793
Cash and short-term deposits	**5,951,053**	**5,951,053**	5,355,927	5,355,927
	19,831,590	**20,703,491**	19,591,772	22,131,904

note (i) - This amount includes loans and other banking receivables of Falcon Private Bank. The maximum credit exposure to credit risk on loans and other banking receivables is the full amount of the credit facilities (drawn and undrawn) granted to customers.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

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

	UAE *US $ '000*	*Austria* *US $ '000*	*Canada* *US $ '000*	*Spain* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
2016						
Derivative financial instruments	**-**	**74,304**	**-**	**43,720**	**7,377**	**125,401**
Trade and other receivables	**1,289,621**	**1,441,070**	**146,356**	**2,180,950**	**240,895**	**5,298,892**
Other assets	**1,016,349**	**819,543**	**54,038**	**2,606,484**	**3,954,312**	**8,450,726**
Cash and short-term deposits	**1,385,813**	**577,545**	**4,331**	**1,122,852**	**2,860,512**	**5,951,053**
	3,691,783	**2,912,462**	**204,725**	**5,954,006**	**7,063,096**	**19,826,072**
2015						
Derivative financial instruments	56,507	60,505	-	58,859	123,328	299,199
Trade and other receivables	1,609,910	1,203,695	140,369	1,653,066	1,235,671	5,842,711
Other assets	1,518,616	273,213	39,043	653,916	5,594,855	8,079,643
Cash and short-term deposits	970,563	497,379	11,032	506,903	3,370,050	5,355,927
	4,155,596	2,034,792	190,444	2,872,744	10,323,904	19,577,480

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

	Energy *US $ '000*	*Materials* *US $ '000*	*Banks* *US $ '000*	*Diversified financial services* *US $ '000*	*Real estate* *US $ '000*	*Construction* *US $ '000*	*Total* *US $ '000*
2016							
Derivative financial instruments	**40,619**	**74,304**	**10,478**	**-**	**-**	**-**	**125,401**
Trade and other receivables	**1,407,003**	**1,069,665**	**1,146,568**	**-**	**7,035**	**1,668,621**	**5,298,892**
Other assets	**808,827**	**456,147**	**66,358**	**6,732,537**	**263,869**	**122,988**	**8,450,726**
Cash and short-term deposits	**1,366,929**	**1,692,994**	**1,168,189**	**1,432,264**	**3,679**	**286,998**	**5,951,053**
	3,623,378	**3,293,110**	**2,391,593**	**8,164,801**	**274,583**	**2,078,607**	**19,826,072**
2015							
Derivative financial instruments	59,101	61,389	119,828	58,881	-	-	299,199
Trade and other receivables	1,598,905	1,007,972	1,289,700	-	4,171	1,941,963	5,842,711
Other assets	5,217,676	442,665	16,327	1,999,295	284,229	119,451	8,079,643
Cash and short-term deposits	1,340,282	1,537,475	1,342,157	919,496	16,276	200,241	5,355,927
	8,215,964	3,049,501	2,768,012	2,977,672	304,676	2,261,655	19,577,480

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

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

	High *US $ '000*	*Medium* *US $ '000*	*Low* *US $ '000*	*Total* *US $ '000*
31 December 2016				
Derivative financial assets	**125,401**	**-**	**-**	**125,401**
Held to maturity investments	**5,518**	**-**	**-**	**5,518**
Trade and other receivables	**3,594,079**	**1,380,821**	**323,992**	**5,298,892**
Other assets	**8,445,984**	**-**	**4,742**	**8,450,726**
Cash and short-term deposits	**5,951,020**	**33**	**-**	**5,951,053**
	18,122,002	**1,380,854**	**328,734**	**19,831,590**
31 December 2015				
Derivative financial assets	242,692	-	56,507	299,199
Held to maturity investments	14,292	-	-	14,292
Trade and other receivables	4,719,998	778,447	344,266	5,842,711
Other assets	7,988,655	90,988	-	8,079,643
Cash and short-term deposits	5,036,941	311,902	7,084	5,355,927
	18,002,578	1,181,337	407,857	19,591,772

The credit quality of financial assets is managed by the Group using internal credit ratings defined as follows:

- High: preferred customers, customers with excellent credit standing and financial strength and customers with cash in advance or secured payment terms
- Medium: medium size customers with good reputation and financially sound customers, but with history of slow payments
- Low: all new customers with no credit history and customers with repetitive slow payments or with weak financial situation.

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

		Past due but not impaired				
	Neither past due nor impaired *US $ '000*	*Past due up to 1 month* *US $ '000*	*Past due 1-3 months* *US $ '000*	*Past due 3-6 months* *US $ '000*	*Past due longer than 6 months* *US $ '000*	*Total* *US $ '000*
31 December 2016						
Derivative financial assets	**125,401**	**-**	**-**	**-**	**-**	**125,401**
Held to maturity investments	**5,518**	**-**	**-**	**-**	**-**	**5,518**
Trade and other receivables	**3,221,592**	**325,382**	**497,421**	**1,086,355**	**168,142**	**5,298,892**
Other assets	**8,442,976**	**25**	**1,801**	**-**	**5,924**	**8,450,726**
Cash and short-term deposits	**5,951,053**	**-**	**-**	**-**	**-**	**5,951,053**
	17,746,540	**325,407**	**499,222**	**1,086,355**	**174,066**	**19,831,590**
31 December 2015						
Derivative financial assets	299,199	-	-	-	-	299,199
Held to maturity investments	14,292	-	-	-	-	14,292
Trade and other receivables	5,281,110	178,007	98,347	68,070	217,177	5,842,711
Other assets	6,870,371	33,092	21,144	1,145,520	9,516	8,079,643
Cash and short-term deposits	5,355,927	-	-	-	-	5,355,927
	17,820,899	211,099	119,491	1,213,590	226,693	19,591,772

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

Movements in allowance for impairment are as follows:

	Opening *US $ '000*	*Additions/ acquired* *US $ '000*	*Interest* *US $ '000*	*Written-off* *US $ '000*	*Recoveries* *US $ '000*	*Exchange difference* *US $ '000*	*Total* *US $ '000*
On reporting date							
2016							
Trade and other receivables	**233,061**	**124,140**	**1,535**	**(10,062)**	**(40,316)**	**(34,103)**	**274,255**
Other assets	**824,542**	**1,291**	**-**	**(10,892)**	**(9,411)**	**(656)**	**804,874**
	1,057,603	**125,431**	**1,535**	**(20,954)**	**(49,727)**	**(34,759)**	**1,079,129**
2015							
Trade and other receivables	226,261	35,288	1,072	720	(9,683)	(20,597)	233,061
Other assets	67,621	809,312	-	-	(46,226)	(6,165)	824,542
	293,882	844,600	1,072	720	(55,909)	(26,762)	1,057,603

Collateral and other credit enhancements

Falcon Private Bank, the Groups' private banking subsidiary, actively uses collateral to reduce its credit risk.

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

Liquidity risk

The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other borrowings. Individually, each company within the Group seeks to ensure that the amount of borrowings that mature in the next 12 month period should not result in the current ratio falling below 100%.

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

Undiscounted contractual basis	***On demand*** *US $ '000*	***0 - 3 months*** *US $ '000*	***3 - 12 months*** *US $ '000*	***1 - 3 years*** *US $ '000*	***3 - 5 years*** *US $ '000*	***>5 years*** *US $ '000*	***Total*** *US $ '000*
2016							
Provision for 1MDB guarantees	**-**	**-**	**205,450**	**410,900**	**410,900**	**3,705,450**	**4,732,700**
Other liabilities	**594,737**	**1,189,579**	**476,941**	**73,311**	**583,407**	**238,124**	**3,156,099**
Trade and other payables	**641,241**	**3,188,882**	**1,061,618**	**104,674**	**-**	**-**	**4,996,415**
Borrowings	**58,246**	**2,105,059**	**1,631,121**	**5,552,251**	**10,527,044**	**6,823,102**	**26,696,823**
Customer deposits and other amounts due to banking customers	**2,038,752**	**110,863**	**28,025**	**-**	**-**	**-**	**2,177,640**
Due to banks	**106,237**	**19,689**	**-**	**-**	**-**	**-**	**125,926**
	3,439,213	**6,614,072**	**3,403,155**	**6,141,136**	**11,521,351**	**10,766,676**	**41,885,603**
2015							
Provision for 1MDB guarantees	-	-	205,450	410,900	410,900	3,910,900	4,938,150
Other liabilities	645,947	1,071,920	385,537	28,124	2,683	34,464	2,168,675
Trade and other payables	693,187	2,649,854	665,903	1,128	869	1,147	4,012,088
Borrowings	138,913	610,171	7,940,910	6,725,237	5,840,460	10,643,668	31,899,359
Customer deposits and other amounts due to banking customers	2,434,859	118,783	76,354	-	-	-	2,629,996
Due to banks	153,516	19,976	-	-	-	-	173,492
	4,066,422	4,470,704	9,274,154	7,165,389	6,254,912	14,590,179	45,821,760

In 2012, the Company agreed to guarantee the obligations (principal and associated interests) of certain subsidiaries of 1MDB in respect of two financings (see note 42). The principal amount of these obligations is US $ 3.5 billion. The obligations to which these guarantees relate mature in 2022.

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

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

	2016 ***US $ '000***	*2015* *US $ '000* *Restated*
Interest bearing loans and borrowings (note 29)	**25,677,836**	27,577,182
Less cash and short term deposits (note 25)	**(5,951,053)**	(5,355,927)
Net debt	**19,726,783**	22,221,255
Total equity	**11,780,964**	11,789,311
Equity and net debt	**31,507,747**	34,010,566
Gearing ratio	**63%**	65%

38 OTHER RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks relating to changes in the legislation applicable to activities and/or the industry

The activities carried on by the Group are subject to various legislations. The changes that might arise could affect the structure under which activities are performed and the results generated by operations.

Industrial risks, prevention and safety

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

Environmental risks

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

39 ASSETS UNDER MANAGEMENT

	2016 **US $ '000**	*2015* US $ '000
Real estate (including mutual funds)	**386,786**	457,171
Cash and cash equivalents	**1,905,770**	2,341,394
Fixed income instruments (bonds, loans and mutual funds)	**1,612,483**	1,652,252
Equities (stocks and mutual funds)	**7,478,860**	10,170,090
Assets under management and custody by the Group	**11,383,899**	14,620,907
Assets not in the custody of the Group	**1,726,313**	1,811,767
	13,110,212	16,432,674

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

Of the assets not within the custody of the Group, US $ 1,726 million (31 December 2015: US $1,812 million) are related to client assets held by Bank Zweiplus, which is an associate of the Group. The client assets considered in this note equal 42.5 % (2015: 42.5%) (the Group's share) of the total client assets reported by Bank Zweiplus. Earnings from managing or custody services with respect to these client assets are not included in the revenue of the Group but are captured in the share of profit of associate in the consolidated statement of profit or loss.

40 CONTRACTUAL COMMITMENTS

	2016 **US $ '000**	*2015* US $ '000
Guarantees		
Performance and bid bonds	**3,799,778**	2,923,549
Advance payment bonds	**587,465**	558,425
Letters of credit	**167,917**	180,334
Retention bonds	**124,476**	88,425
Others	**329,905**	63,940
	5,009,541	3,814,673
Operating lease commitments		
Up to 1 year	**300,799**	370,550
1 to 5 years	**776,170**	869,252
Beyond 5 years	**747,355**	726,888
	1,824,324	1,966,690
Capital commitments		
Property, plant and equipment	**1,078,611**	1,452,341
Investment properties	**676,158**	745,666
Investments in equity instruments	**69,978**	55,039
Intangible assets	**2,228**	4,406
	1,826,975	2,257,452
Fiduciary assets	**62,490**	157,184

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

41 LITIGATIONS AND CONTINGENCIES

The Group is involved in litigations from time-to-time in the ordinary course of business. Legal claims often involve highly complex issues, actual damages, and other matters. These issues are subject to substantial uncertainties and, therefore, the probability of loss and an estimate of damages are often difficult to determine.

The Group has recorded a provision for claims for which it is able to make an estimate of the expected loss or range of possible loss, but believe that the publication of this information on a case-by-case basis would seriously prejudice its position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, for these claims, the Group has disclosed information with respect to the nature of the claim, but not an estimate of the range of potential loss or any provision accrued.

The Group believes that the aggregate provisions recorded for these matters are adequate based upon currently available information as of the statement of financial position date, which may be subject to ongoing revision of existing estimates. However, given the inherent uncertainties related to these claims, the Group could, in the future, incur judgments that could have a material adverse effect on its results of operations, liquidity, financial position or cash flows in any particular period.

For contingent liabilities, the Group has disclosed the claims, but has not recorded a provision of the potential outcome of these claims and is unable to make an estimate of the expected financial effect that will result from ultimate resolution of the proceedings.

Dow Litigations
In 2005, The Dow Chemical Company ("Dow Chemical") filed suit against NOVA in the Federal District Court in Delaware alleging that certain grades of NOVA's SURPASS® polyethylene film resins infringe two Dow Chemical patents. In 2010, a jury trial took place and a judgment of infringement against NOVA was entered on 18 June 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately US $ 77 million. A Supplemental Damages Bench Trial was held on 30 April 2013 and 1 May 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on 15 October 2011. The court issued a decision in March 2014. Approximately US $ 30 million was awarded to Dow Chemical for supplemental damages. In April 2014, NOVA appealed the validity of Dow Chemicals' patents based on a change in U.S. law. Oral arguments in the appeal were heard by a panel of three judges of the Court of Appeals for the Federal Circuit ("CAFC") in June 2015. In August 2015, CAFC panel held in a unanimous, precedential decision that the patents-in-suit are invalid as indefinite and reversed the lower court award of supplemental damages. In September 2015, Dow Chemical petitioned the CAFC for panel rehearing. The CAFC denied Dow Chemical's petition in a split decision. In March 2016, Dow Chemical filed a petition for certiorari (review) with the U.S. Supreme Court, which was denied in May 2016, securing NOVA's victory in the supplemental damages action. As a result, NOVA reversed the related provision of US $ 31 million.

In December 2010, Dow Chemical filed a Statement of Claim against NOVA in Federal Court in Canada alleging that certain grades of NOVA's SURPASS polyethylene film resins infringe a Dow Chemical Canadian patent, and in March 2011, NOVA filed its statement of defences and counterclaim. A trial on the infringement issue commenced in September 2013 and concluded in November 2013. In May 2014, the judge for the Federal Court issued an adverse judgment against NOVA. In August 2014, NOVA filed a Notice of Appeal with the Federal Court of Appeal. Oral arguments in the appeal were held in December 2015. In September 2016, the Federal Court of Appeal dismissed NOVA's appeal from the Federal Court decision.

A subsequent trial to determine damages commenced in December 2016 and concluded in January 2017. In November 2016, NOVA filed an Application to the Supreme Court of Canada to review the decision of the Federal Court of Appeal which was dismissed in April 2017. On 20 April 2017, the Federal Court issued its Judgement and Reasons for the initial damages, providing assumptions and other considerations to be used in calculation of the amount of damages and pre-judgment interest. NOVA has prepared its estimate of the amount of damages payable to Dow Chemical and expects a final decision on the amount by June 2017. NOVA, in May 2017, filed a Notice of Appeal with the Federal Court of Appeal regarding the damages calculation.

41 LITIGATION AND CONTINGENCIES continued

Dow Litigations continued
In 2006, a claim was filed against NOVA in the Court of Queen's Bench of Alberta by Dow Chemical Canada ULC and its European affiliate (collectively, "Dow Canada") concerning the jointly owned third ethylene plant at NOVA's Joffre site. Dow Canada has amended its initial statement of claim and has claimed for further losses and damages in an amount to be proven at trial of this action. In its most recent amendment, Dow Canada estimates its claim at an amount exceeding US $ 800 million. NOVA initially counterclaimed in the same action. NOVA also amended its statement of defence and counterclaim. The amount of the counterclaim is estimated in NOVA's most recent amendment at approximately US $ 50 million. A trial commenced in January 2015 and concluded in March 2016. During the trial, NOVA further reduced the amount of its counterclaim.

Borealis Technology Oy Tax contingencies
On 29 December 2014, Borealis Technology Oy ("TOY"), a Finnish subsidiary of Borealis AG, has received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2008, regarding its polyolefin technology. Based on this re-assessment the taxable income of TOY has been increased by an amount of US $ 930,300 thousand (Euro 700,000 thousand). This leads to a requested additional total payment of US $ 374,442 thousand (Euro 281,747 thousand), comprising of taxes, late payment interest and penalties.

On 9 June 2015, TOY received from the Finnish tax authority a second re-assessment decision, with regards to its catalyst technology, to pay an additional amount of US $ 165,593 thousand (Euro 124,600 thousand) in taxes, penalties and interest related to the year 2010. The amount claimed for catalyst is based on assessing an additional taxable income of US $ 451,860 thousand (Euro 340,000 thousand) in the year 2010.

Borealis believes that both decisions are unfounded and has filed claims at the FTA's Board of Adjustment both for the re-assessment decisions concerning the polyolefin and catalyst technologies on 27 February 2015 and 13 November 2015, respectively.

In January 2017, Borealis received the two decisions of the FTA's Board of Adjustment in regard to TOY. According to the re-assessment decision, the taxable income increases by US $ 842,412 thousand (Euro 801,000 thousand), leading to an additional requested payment in total of US $ 312,355 thousand (Euro 297,000 thousand), consisting of additional income taxes, penalties and interests. Borealis believes that this decision fails to properly apply Finnish and International tax law and does not adequately consider the relevant facts of the case. Borealis appealed this decision to the Helsinki Administrative Court on 6 March 2017 and has obtained a suspension of payment until the final decision.

Borealis Polymers Oy Tax contingency
On 31 December 2015, Borealis Polymers Oy ("BPOY"), a Finnish subsidiary of Borealis AG ("BAG"), received a re-assessment decision by the Finnish Tax Authority (FTA) for the year 2009. Based on this re-assessment decision, the taxable income of BPOY has been increased by an amount of US $ 395,377 thousand (Euro 364,000 thousand) which relates to a license arrangement and other agreements entered into between BPOY and BAG and the tax treatment thereof. This leads to a requested additional total payment of US $ 165,645 thousand (Euro 152,500 thousand), comprising of taxes, late payment interest and penalties. Borealis believes that this decision fails to properly apply Finnish and International tax law and does not adequately consider the relevant facts of the case. Borealis appealed the re-assessment decision to the FTA's Board of Adjustment in February 2016. The decision of the Board of Adjustment is expected in the second half of the 2017 calendar year. A suspension of payment has been obtained pending the decision.

Further, several other companies within the Group are currently subject to routine tax audits performed by their respective tax authorities. In some of the audits, specific emphasis is put on business restructuring and transfer pricing. Managements' opinions are that the companies are in compliance with all applicable regulations. Given the preliminary nature of the proceedings, potential impacts, if any, cannot be currently reliably estimated.

41 LITIGATION AND CONTINGENCIES continued

Contract dispute
Arabtec has a total exposure of US $ 89,328 thousand (AED 328,056 thousand) as at 31 December 2016 (2015: US $ 150,796 thousand (AED 553,797 thousand)) relating to contract receivables. As the client disputed the payment of receivables, the Board of Directors of the Company resolved to initiate arbitration proceedings against the customers.

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS

42.1 Financial Guarantees

The Company agreed in 2012 to guarantee the obligations (principal and associated interests) (the "Guarantee") of certain subsidiaries of 1MDB, a company wholly-owned by the Government of Malaysia, in respect of two financings in the energy and power sector. The aggregate principal amount of these obligations is US $ 3,500,000 thousand which comprises:

- US $ 1,750,000 thousand fixed rate 5.75 per cent. notes due 2022 issued by 1MDB Energy (Langat) Limited and unconditionally and irrevocably guaranteed by 1MDB ("1MDB Energy (Langat) Notes"); and

- US $ 1,750,000 thousand fixed rate 5.99 per cent. notes due 2022 issued by 1MDB Energy Limited and unconditionally and irrevocably guaranteed by 1MDB ("1MDB Energy Notes" and, together with the 1MDB Energy (Langat) Notes, the "Notes").

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

As at 31 December 2016, the unamortised deferred income was US $ 204,622 thousand (31 December 2015: US $ 240,322 thousand). In accordance with the requirements of International Financial Reporting Standards, the Company must consider whether payment under the Guarantee is probable (more likely than not) for a provision to be recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

During 2016, the Company made total interest payments of US $ 102,725 thousand under the Guarantees (see note 23) (2015: total interest payments of US $ 102,725 thousand made under the BTS) and accordingly the Company was required to make a provision of the present value of the total amount (principal and interest), estimated at US $ 3,500,000 thousand, probable under the Guarantees at the balance sheet date. A corresponding reimbursement asset was recorded on balance sheet (note 23).

42.2 Options

In respect of the above Guarantee, the Company benefits from back-to-back guarantees and support from 1MDB and had secured for its Group the rights (the "Option Agreements") to acquire up to a 49% stake in the shares of two subsidiaries of 1MDB at a fixed price.

In 2014, the Group entered into an agreement relating to the Option Agreements where the Group agreed to assign all of its rights under the Option Agreements to 1Malaysia Energy Holdings Limited for a fixed price. As at 31 December 2015 an amount of US $ 481,950 thousand was outstanding from 1MDB and/or MOF (31 December 2015: US $ 481,950 thousand).

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS continued

42.3 Binding Term Sheet

On 28 May 2015, the Company, Aabar, MOF and 1MDB entered into a binding term sheet ("BTS") that provided for the following principal matters:

- the Company providing US$ 1 billion to 1MDB group on 4 June 2015(the "Cash Payment");
- the Company assuming the obligations to pay all interest due under the Notes up to 31 December 2015;
- the Company assuming liability for all payment obligations under the Notes (the "Assumption of Debt") and forgiving certain financial obligations of the 1MDB Group to the IPIC Group in an amount of US $ 481,950 thousand (the "Debt Forgiveness") upon the completion of the transfer of assets to the IPIC Group of an aggregate value equal to the sum of the Cash Payment, the Assumption of Debts and the Debt Forgiveness before 30 June 2016;
- mutual waiver and release between the parties to the BTS of all past arrangements between each of them and each of their respective subsidiaries, subject to certain limited exclusion;
- indemnification of the Company by 1MDB and MOF in relation to any obligations of the Company under the Guarantees in respect of the Notes from 31 December 2015 or 30 June 2016 if 1MDB and MOF had not performed certain obligations under the BTS due for performance on these dates;
- 1MDB and MOF agreeing to perform the obligations contemplated in the BTS and to indemnify the Company and Aabar for any non-performance, and vice versa.

The Company made the Cash Payment from existing liquidity. On 16 October 2015 and 10 November 2015, the Company paid interest amounting to US $ 50,312 thousand and US $ 52,413 thousand respectively due under the Notes up to 31 December 2015 from existing liquidity.

42.4 1MDB and MOF defaults on Binding Term Sheet

On 18 April 2016, the Company announced that 1MDB and MOF had failed to perform certain payments and other obligations owed by them to the IPIC group pursuant to the terms of the BTS**.** On 13 June 2016, the Company and Aabar submitted a Request for Arbitration to the London Court of International Arbitration concerning the failure by 1MDB and MOF to perform their contractual obligations under the BTS.

On 22 April 2017 the parties to the BTS agreed to settle various claims among them under the terms of the Settlement, conditional on the arbitral tribunal making a Consent Award by 31 May 2017 (see Note 42.6 below).

42.5 1MDB defaulted on the Notes in April and May 2016 and IPIC paid down related interests under the Guarantees

1MDB and 1MDB Energy (Langat) Limited failed to make an interest payment of US $ 50,313 thousand due under the 1MDB Energy (Langat) Notes on 18 April 2016 (or within the applicable grace period). 1MDB and 1MDB Energy Limited failed to make an interest payment of US $ 52,413 thousand due under the 1MDB Energy Notes on 11 May 2016 (or within the applicable grace period). Accordingly, 1MDB Defaults occurred under the 1MDB Energy (Langat) Notes and the 1MDB Energy Notes.

On 25 April 2016 and 12 May 2016, following receipt of demands under the Guarantees, the Company made full payment under the Guarantees of the interest amounts due as referred to above. The Company made these payments out of existing liquidity, pursuant to its obligations in respect of the Guarantees and within the number of days following such 1MDB default within which the Company was required to fulfil its payment obligations under the terms of the Guarantees. 1MDB's defaults in respect of the Notes did not cross-default the Company.

The terms of the Settlement include repayment of such amounts to the Company and this liability is replaced by a corresponding liability to pay such amounts plus interest in the Consent Award (see Note 42.6 below)

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS continued

42.6 IPIC Reaches an Agreed Settlement in Relation to its Request for Arbitration

On 22 April 2017, the Company and Aabar reached agreement with 1MDB and MOF (the "Settlement") pursuant to which 1MDB and MOF have agreed to withdraw their counterclaims and to settle the Group's claims in the arbitration and the arbitral tribunal made a Consent Award on 9 May 2017.

Under the terms of the Settlement, following it becoming unconditional, the Company will receive an amount of US $ 602,725 thousand by 31 July 2017 and a further amount of US $ 602,725 thousand by 31 December 2017. Separately, 1MDB and MOF Inc., undertake to the Company to be responsible for all future interest and principal payments under the two bonds issued by 1MDB Group companies that are guaranteed by 1MDB and the Company; (i) US$1,750,000 thousand fixed rate 5.75 per cent. notes due 2022 issued by 1MDB Energy (Langat) Limited and (ii) US$1,750,000 thousand fixed rate 5.99 per cent. notes due 2022 issued by 1MDB Energy Limited.

The parties have provided suitable undertakings and indemnities in respect of the performance of obligations under the Settlement. The parties have also agreed to enter into good faith discussions in relation to payments made by 1MDB Group to certain entities.

43 RELATED PARTY TRANSACTIONS AND BALANCES

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

Compensation of the Company's key management personnel and Board of Directors
The remuneration of senior key management personnel and the Board of Directors of the Company during the year was US $ 7,300 thousand (2015: US $ 7,300 thousand).

	Goods and services						*Financing*	
Business relationship	*Purchases from US $ '000*	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Others payables US $ '000*	*Other assets* US $ '000*	*Interest received US $ '000*	*Interest paid US $ '000*
2016								
Associates	**1,542,023**	**501,452**	**94,947**	**204,193**	**6,314**	**7,387**	**4**	**9**
Joint ventures	**354,131**	**474,180**	**4,025**	**27,753**	**74,341**	**15,579**	**8,626**	**161**
Other related parties	**34,679**	**17,376**	**94,455**	**83,931**	**11,836**	**181,819**	**3,560**	**211**
	1,930,833	**993,008**	**193,427**	**315,877**	**92,491**	**204,785**	**12,190**	**381**

Business relationship	*Purchases from US $ '000*	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Others payables US $ '000*	*Other assets* US $ '000*	*Interest received US $ '000*	*Interest paid US $ '000*
2015								
Associates	1,993,605	663,021	114,982	193,778	3,534	537,878	105	-
Joint ventures	419,333	661,337	4,401	33,546	75,732	9,978	9,577	140
Other related parties	316	63,287	116,055	129,523	13,500	121,490	3,638	1
	2,413,254	1,387,645	235,438	356,847	92,766	669,346	13,320	141

*Other assets are net of provision for impairment on related parties amounting to US $ 12,040 thousand (2015: US $ 28,727 thousand).

Other transactions
During 2015, the Company derecognised the Abu Dhabi Crude Oil Pipeline (ADCOP) and recognised a gain of US $ 1,400,000 thousand. An amount of US $ 400,000 thousand is a receivable from the Government of the Emirate of Abu Dhabi.

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and settlement occurs in cash or in shares. There have been no guarantees provided or received for any related party receivables or payables. As at 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties except for an amount of US $ 12,000 thousand on loan provided to an associate (2015: US $ 12,000 thousand). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

43 RELATED PARTY TRANSACTIONS AND BALANCES continued

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

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

	2016				*2015*			
Business relationship	***Cash and cash equivalents US $ '000***	***Borrowings US $ '000***	***Interest income US $ '000***	***Interest expense US $ '000***	*Cash and cash equivalents US $ '000*	*Borrowings US $ '000*	*Interest income US $ '000*	*Interest expense US $ '000*
Financing:								
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	**1,006,538**	**1,659,072**	**5,266**	**33,799**	575,932	1,521,909	7,451	31,336

	2016				*2015*			
Business relationship	***Sales to US $ '000***	***Receivables from US $ '000***	***Payables to US $ '000***	***Other assets US $ '000***	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Other assets US $ '000*
Entities under common shareholder - the Government of the Emirate of Abu Dhabi	**636,654**	**314,306**	**255,918**	**25,675**	739,983	379,372	279,464	32,390

44 EVENTS AFTER THE REPORTING DATE

(i) On 9 January 2017, the Group entered into a sale purchase agreement with BRF S.A. to dispose of its entire holding in Banvit Bandirma Vitaminli Yem Sanayii A.S. (Banvit). The transaction is expected to close within first half of 2017.

(ii) On 12 February 2017, the Group entered into an agreement with Arabtec Holding PJSC to subscribe to its full entitlement under the rights offering and any un-subscribed shares remaining.

(iii) On 24 February 2017, CEPSA signed an agreement to acquire the biodiesel production plant belonging to ABENGOA in San Roque, Spain

(iv) On 30 March 2017, Cepsa Comercial Petróleo, S.A. signed share purchase agreements for the acquisition of certain petrol stations owned by 21 companies in Madrid and surrounding provinces in Spain. The transaction is subject to the approval of the Spanish competition authorities ("*Comisión Nacional de los Mercados y la Competencia").*

(v) On 17 April 2017, NOVA announced that they have signed an agreement to acquire Williams Partners L.P.'s ("Williams") 88.46% ownership interest in the Geismar, Louisiana olefins plant, approximately 525 acres of undeveloped land adjacent to the plant, and Williams' interest in the Ethylene Trading Hub in Mt. Belvieu, Texas.

(vi) As further disclosed in Note 41, on 20 April 2017 the Federal Court of Canada issued its Judgement and Reasons for the initial damages, providing assumptions and other considerations to be used in calculation of the amount of damages and pre-judgment interest.

(vii) As further disclosed in Note 42.6, on 22 April 2017 the Company and Aabar reached agreement with 1MDB and MOF (the "Settlement") pursuant to which 1MDB and MOF have agreed to withdraw their counterclaims and to settle the Group's claims in the arbitration and the arbitral tribunal made a Consent Award on 9 May 2017.