International Petroleum Investment Company PJSC and its subsidiaries

BOARD OF DIRECTORS' REPORT AND
CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2015

International Petroleum Investment Company PJSC and its subsidiaries

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2015

BOARD OF DIRECTORS' REPORT
For the year ended 31 December 2015

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 2015.

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 98.46% 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. During the year, the Group determined that it obtained de facto control of Arabtec and as such the consolidated financial statements reflect the results of Arabtec from 1 May 2015 to 31 December 2015.

Financial Results

Revenue for 2015 fell by 30% compared to 2014 to reach US $ 35.8 billion. This significant drop year-on-year in revenue was reported in the Group's upstream and downstream operations as a result of the prevailing commodity market conditions in 2015. Global demand for oil remained at low level, lagging behind expectations as it grew slightly by only 1.69% in 2015 coupled with a significantly lower crude oil price than in 2014; the price of Brent crude, Europe's benchmark, averaged US $ 52.4 per barrel in 2015, as compared to US $ 99.0 per barrel in 2014.

Due to the declining crude oil price, asset valuation in the exploration and production segments were negatively impacted, which led the Group to record significant pre-tax impairment losses amounting to US $ 5.2 billion on its oil & gas assets. Tax impact of these impairments was a credit of US $ 2.2 billion. Additionally other companies within the downstream, projects and diversified segments were indirectly affected by weak overall market sentiment and accordingly the Group recorded further impairment losses of US $ 2.9 billion on those assets. As a result, the net loss for the year was US $ 2.6 billion compared to a profit of US $ 1.5 billion in 2014.

The Company formalised the transfer agreement for the Abu Dhabi Crude Oil Pipeline ("ADCOP") project to the Abu Dhabi National Oil Company ("ADNOC") and, in accordance with the international accounting standards, recorded a profit of US $ 1.4 billion on derecognition of this asset. The Company received to date a total of US $ 5.2 billion with an additional US $ 0.4 billion due on issuance of the final acceptance certificate.

Profit after-tax before impairment losses was US $ 3.3 billion in 2015 compared to US $ 2.3 billion in 2014.

Despite its significant drop in revenue and large impairment losses which resulted in a net loss during 2015, the Group continues to generate strong positive cash flows from operations amounting to US $ 3.9 billion with a slight increase from 2014.

The Group's cash position at year-end was US $ 5.4 billion compared to US $ 5.3 billion in 2014, and its net debt position was US $ 22.2 billion at 31 December 2015 compared to US $ 24.6 billion at end of previous year. The Group repaid US $ 3.2 billion of its debt from its own funds, re-financed US $ 3.1 billion and raised new borrowings of US $ 2.1 billion in 2015.

BOARD OF DIRECTORS' REPORT continued
For the year ended 31 December 2015

Financial Results continued

During 2015, the Company entered in a Binding Term Sheet ("BTS") with 1Malaysia Development Berhad ("1MDB"), a company wholly-owned by the Government of Malaysia and Malaysia's Ministry of Finance Inc ("MOF"). During 2015 under the terms of the BTS, the Company advanced US $ 1 billion to certain 1MDB subsidiaries, and made two interest payments totalling US $ 103 million on its behalf to discharge the interest payment obligations under certain debt instruments issued by certain 1MDB subsidiaries, being the 1MDB Energy (Langat) Notes and the 1MDB Energy Notes referred to at Note 42.1 of these consolidated financial statements. The total amount of US $ 1.1 billion (plus interest) was due to be matched by a transfer by 1MDB of assets to the Company by 31 December 2015, which both 1MDB and MOF failed to effect. Under the BTS, 1MDB then became subject to an obligation to pay US $ 1.1 billion (plus interest) to the Company. MOF has agreed in the BTS to indemnify the Company in respect of all of the obligations of 1MDB under the BTS and in respect of any payment made in connection with the Company's obligations to guarantee the 1MDB Energy (Langat) Notes and the 1MDB Energy Notes.

Previously in 2012, the Company had guaranteed two debt issuances (principal and interest) of certain 1MDB subsidiaries for a period of 10 years (being the 1MDB Energy (Langat) Notes and the 1MDB Energy Notes referred to at Note 42.1 of the consolidated financial statements). In the first-half of 2016, 1MDB defaulted on two interest payments on these debts and accordingly the Company's guarantees were called and as a result the Company made two interests payment totalling US $ 103 million. All of these 1MDB related payments have been reflected in these consolidated financial statements by recording a corresponding receivable balance as the Company is confident that it will be able to claim its payments from 1MDB and MOF under the BTS.

Further, in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Company also made a provision for payments that may be called under its guarantees of the 1MDB Energy (Langat) Notes and the 1MDB Energy Notes. Any such payments made will also be claimed from 1MDB and MOF.

In June 2016, the Company and Aabar submitted a Request for Arbitration ("RFA") to the London Court of International Arbitration. The RFA concerns the failure by 1MDB and MOF to perform their contractual obligations under the BTS. The failure of 1MDB and MOF to perform their obligations, cure their defaults or put forward acceptable proposals has left the Company in the position where it must pursue its claims in arbitration. The total amount claimed by the Company and Aabar is approximately US $ 6.5 billion. The claim will be determined by an arbitral tribunal that will comprise of three arbitrators in accordance with the BTS and the LCIA Rules.

For and on behalf of the Board of Directors

Mansour bin Zayed Al Nahyan
Chairman of the Board of Directors

Abu Dhabi, June 2016

International Petroleum Investment Company PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF

INTERNATIONAL PETROLEUM INVESTMENT COMPANY PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International Petroleum Investment Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

1. As further explained in notes 23 and 42, as at 31 December 2015, the Group has recognised a receivable balance of US $ 1.6 billion due from 1Malaysia Development Berhad ("1MDB") and/or the Ministry of Finance Inc, Malaysia ("MOF"). In addition, the Company has recognised a reimbursement asset receivable from 1MDB and/MOF in the amount of 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.

   We draw attention to notes 23 and 42 to these consolidated financial statements which describes management's assessment of recoverability of the receivables mentioned above totalling US $ 5.1 billion. Management of the Company has confirmed to us that they expect the total receivable amount referred above to be recoverable under the terms of the Binding Term Sheet and has obtained legal advice supporting their position in respect of recovery of these receivables from 1MDB and/or MOF. In that respect, the Company has filed a request for arbitration (note 42.7) in a move to recover the receivable amount.

2. As further explained in note 42.6, 1MDB has claimed that payments of approximately US $ 3.5 billion were made to a company named Aabar Investments PJS Limited ("Aabar BVI") which 1MDB further claims to be part of the IPIC group. 1MDB has also claimed that it has benefitted from capital value guarantees for certain fund investments of 1MDB group from Aabar Investments PJS and Aabar BVI for an amount of approximately US $ 940 million and US $ 1.5 billion respectively.

   Management of the Company has confirmed the following to us:
   a) 1MDB has not provided authenticated evidence to prove the alleged payments were made to, and alleged guarantees provided by, the IPIC group, despite Management's request;
   b) the IPIC group has not received any such payments from either 1MDB group or Aabar BVI nor has IPIC group provided any guarantees in respect of certain fund investments of 1MDB group, nor assumed any liabilities or recognised any assets on behalf of Aabar BVI; and
   c) Aabar BVI is not an entity controlled either directly or indirectly by the Company irrespective of the arguments and assertions made by 1MDB group.

Our opinion is not qualified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information and explanations 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, and the Articles of Association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;

v) based on the information that has been made available to us, the Group has not purchased or invested in any shares or stocks during the year ended 31 December 2015;

vi) note 43 reflects the disclosures relating to related party transactions and the terms under which they were conducted;

vii) note 14 reflects the disclosure relating to 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 Company has contravened, during the financial year ended 31 December 2015, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.

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

28 June 2016
Abu Dhabi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2015

	Notes	2015 US $ '000	2014 US $ '000
CONTINUING OPERATIONS			
Revenue	13	**35,808,747**	51,183,650
Cost of sales	14	**(34,147,410)**	(46,638,636)
Gross profit		**1,661,337**	4,545,014
Share of post tax (losses) profits of associates and joint ventures	7	**(421,578)**	588,395
Selling and distribution costs	14	**(2,015,649)**	(2,334,373)
General and administrative expenses	14	**(2,459,234)**	(1,441,398)
Research and development expenses	14	**(430,944)**	(428,982)
Operating (loss) profit		**(3,666,068)**	928,656
Net foreign exchange gains		**1,024,835**	1,387,884
Impairment of goodwill	19	**(1,503,392)**	-
Finance income	8	**233,768**	353,290
Finance costs	9	**(1,040,516)**	(1,223,762)
Other income	14	**129,132**	373,305
Other expenses	14	**(38,991)**	(176,486)
Gains on acquisitions and disposals	10	**1,509,775**	128,241
Losses on financial instruments	11	**(1,087,732)**	(244,773)
(Loss) profit before tax from continuing operations		**(4,439,189)**	1,526,355
Income tax credit (expense)	12	**1,841,488**	(7,086)
(Loss) profit for the year from continuing operations		**(2,597,701)**	1,519,269
DISCONTINUED OPERATIONS			
Loss after tax for the year from discontinued operations	15	**(29,964)**	-
(LOSS) PROFIT FOR THE YEAR		**(2,627,665)**	1,519,269
(Loss) profit for the year attributable to:			
Equity holder of the parent		**(2,685,004)**	1,205,724
Non-controlling interests		**57,339**	313,545
		(2,627,665)	1,519,269
		US $	*US $*
Basic and diluted (loss) earnings per share attributable to equity holder of the parent	16	**(767)**	345

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2015

	2015 ***US $ '000***	*2014* *US $ '000*
(LOSS) PROFIT FOR THE YEAR	**(2,627,665)**	1,519,269
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange losses on translation of foreign operations	**(1,477,787)**	(1,919,584)
Net losses arising on hedge of net investments	**(349,957)**	(349,923)
Net gains (losses) arising on cash flow hedges	**50,681**	(84,217)
Net gains (losses) arising on changes in fair value of available-for-sale financial assets	**145,111**	(282,660)
Share of other comprehensive income of associates and joint ventures	**59,115**	337,166
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(1,572,837)**	(2,299,218)
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains (losses) arising on defined benefit plans	**28,258**	(118,099)
Net other comprehensive gain (loss) income not to be reclassified to profit or loss in subsequent periods	**28,258**	(118,099)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(1,544,579)**	(2,417,317)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,172,244)**	(898,048)
Total comprehensive loss for the year attributable to:		
Equity holder of the parent	**(4,124,766)**	(1,023,708)
Non-controlling interests	**(47,478)**	125,660
	(4,172,244)	(898,048)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Notes	***2015 US $ '000***	*2014 US $ '000*
ASSETS			
Non-current assets			
Property, plant and equipment	17	**13,891,507**	17,514,642
Intangible assets	18	**2,784,013**	3,450,007
Investment properties	20	**2,897,283**	2,558,958
Investments in associates and joint ventures	7	**9,150,871**	11,880,759
Deferred tax assets	12	**1,295,445**	896,501
Investments in financial instruments	21	**2,551,732**	3,294,132
Trade and other receivables	22	**244,639**	128,138
Other assets	23	**5,975,781**	3,247,219
		38,791,271	42,970,356
Current assets			
Inventories	24	**2,848,168**	3,999,581
Trade and other receivables	22	**5,598,072**	5,576,807
Investments in financial instruments	21	**2,286,825**	2,859,394
Other assets	23	**2,474,811**	1,829,666
Cash and short term deposits	25	**5,355,927**	5,303,258
		18,563,803	19,568,706
Assets classified as held for sale	15	**688,964**	3,753,034
		19,252,767	23,321,740
TOTAL ASSETS		**58,044,038**	66,292,096
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	26	**3,500,000**	3,500,000
Shareholder loan	27	**1,000,000**	1,000,000
Retained earnings		**8,701,552**	11,486,811
Other reserves	28	**(3,473,337)**	(2,094,645)
		9,728,215	13,892,166
Non-controlling interests	5	**3,290,334**	2,358,299
Total equity		**13,018,549**	16,250,465

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION continued
At 31 December 2015

	Notes	2015 US $ '000	2014 US $ '000
EQUITY AND LIABILITIES continued			
Non-current liabilities			
Borrowings	29	**19,507,767**	24,006,113
Defined benefit plan deficit	30	**540,472**	648,318
Deferred tax liabilities	12	**1,550,946**	3,689,859
Derivative financial liabilities	35	**89,854**	19,491
Provisions	31	**719,713**	582,178
Provision for 1MDB guarantees	42	**3,500,000**	-
Trade and other payables	32	**90,703**	24,044
Other liabilities	34	**350,510**	427,355
		26,349,965	29,397,358
Current liabilities			
Trade and other payables	32	**7,432,458**	7,888,581
Borrowings	29	**8,069,415**	5,943,450
Other liabilities	34	**2,403,819**	2,214,331
Advances received against assets held for sale	15	**-**	4,000,000
Derivative financial liabilities	35	**213,884**	505,984
Provisions	31	**188,614**	91,927
		18,308,190	20,644,273
Liabilities classified as held for sale	15	**367,334**	-
		18,675,524	20,644,273
Total liabilities		**45,025,489**	50,041,631
TOTAL EQUITY AND LIABILITIES		**58,044,038**	66,292,096

CHAIRMAN MANAGING DIRECTOR CHIEF FINANCIAL OFFICER

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	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 2014	3,500,000	1,000,000	10,632,997	127,838	15,260,835	2,276,176	17,537,011
Profit for the year	-	-	1,205,724	-	1,205,724	313,545	1,519,269
Other comprehensive (loss) income for the year	-	-	-	(2,229,432)	(2,229,432)	(187,885)	(2,417,317)
Total comprehensive (loss) income for the year	-	-	1,205,724	(2,229,432)	(1,023,708)	125,660	(898,048)
Dividends paid to non-controlling shareholders	-	-	-	-	-	(59,523)	(59,523)
Acquisition of additional interest in a subsidiary (note 4.1)	-	-	(53,157)	-	(53,157)	(25,567)	(78,724)
Acquisition of preference shares of a subsidiary	-	-	(291,870)	-	(291,870)	-	(291,870)
Disposal of interest in a subsidiary	-	-	-	-	-	41,552	41,552
Movement in other reserves	-	-	(6,883)	6,949	66	1	67
Balance at 31 December 2014	3,500,000	1,000,000	11,486,811	(2,094,645)	13,892,166	2,358,299	16,250,465
(Loss) profit for the year	-	-	(2,685,004)	-	(2,685,004)	57,339	(2,627,665)
Other comprehensive loss for the year	-	-	-	(1,439,762)	(1,439,762)	(104,817)	(1,544,579)
Total comprehensive loss for the year	-	-	(2,685,004)	(1,439,762)	(4,124,766)	(47,478)	(4,172,244)
Dividends paid to non-controlling shareholders	-	-	-	-	-	(63,276)	(63,276)
Acquisition of interest in a subsidiary (note 3.1)	-	-	-	-	-	1,056,110	1,056,110
Acquisition of additional interest in a subsidiary (note 4.1)	-	-	(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	**3,500,000**	**1,000,000**	**8,701,552**	**(3,473,337)**	**9,728,215**	**3,290,334**	**13,018,549**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Notes	2015 US $ '000	2014 US $ '000
OPERATING ACTIVITIES			
(Loss) profit before tax for the year from continuing operations		**(4,439,189)**	1,526,355
Loss before tax for the year from discontinued operations		**(26,125)**	-
(Loss) profit before tax		**(4,465,314)**	1,526,355
Adjustments for:			
Depreciation and amortisation of fixed assets	14	**2,061,510**	2,358,462
Net (reversal of) impairment of fixed assets	14	**4,889,104**	(98,258)
Gains on acquisitions and disposals	10	**(1,509,775)**	(128,241)
Other losses on financial instruments	11	**1,087,732**	244,773
Finance income	8	**(233,768)**	(353,290)
Finance costs	9	**1,040,516**	1,223,762
Unrealised foreign exchange difference		**(1,077,311)**	(1,492,131)
Share of post-tax (losses) profits of associates and joint ventures	7	**421,578**	(588,395)
Movements in pensions, provisions and other liabilities		**224,076**	180,250
(Reversal of) inventories written down to net realisable value	14	**(179,901)**	649,570
Net provision (reversal) of impairment of receivables	14	**756,921**	(10,109)
Other non-cash adjustments		**72,587**	(14,993)
		3,087,955	3,497,755
Working capital changes:			
Inventories		**994,868**	(341,801)
Trade and other receivables		**1,510,379**	971,474
Trade and other payables		**(1,093,740)**	836,039
Other assets and liabilities		**(39,163)**	(320,419)
		4,460,299	4,643,048
Income tax paid		**(564,337)**	(810,692)
Net cash from operating activities		**3,895,962**	3,832,356
INVESTING ACTIVITIES			
Purchase of subsidiaries, net of cash acquired	3.1	**236,717**	(1,988,134)
Purchase of financial instruments		**(449,465)**	(589,964)
Acquisition of associates and joint ventures		**(28,754)**	(341,941)
Acquisition of interest in existing subsidiaries		**(89,603)**	(503,985)
Return of capital from an associate		**47,786**	-
Purchase of fixed assets		**(2,503,663)**	(2,726,471)
Proceeds from sale of fixed assets		**82,402**	85,930
Net sale (purchases) of derivative financial instruments		**11,948**	(983,088)
Advance received against asset held for sale	15	**1,200,000**	2,000,000
Net advances on investment properties		**(85,756)**	(81,171)
Net sale (purchases) of financial instruments		**522,993**	991,659
Advance paid against non-current asset	42	**(1,102,724)**	-
Interest received		**28,639**	103,848
Dividends received		**303,235**	413,522
Receipts (payments) on other assets		**234,960**	(78,062)
Net cash used in investing activities		**(1,591,285)**	(3,697,857)
FINANCING ACTIVITIES			
Proceeds from borrowings		**5,210,935**	9,115,716
Repayments of borrowings		**(6,309,964)**	(9,191,167)
Interest paid		**(923,664)**	(1,099,863)
Dividends paid to non-controlling shareholders		**(63,276)**	(59,523)
Net cash used in financing activities		**(2,085,969)**	(1,234,837)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**218,708**	(1,100,338)
Net foreign exchange difference		**(166,039)**	(415,248)
Cash and cash equivalents at 1 January		**5,303,258**	6,818,844
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	**5,355,927**	5,303,258

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.

The consolidated financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 28 June 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost convention basis, except for financial assets at fair value through profit or loss, available-for-sale investments and derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges, 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 existing Federal Law No. 8 of 1984. The Company will adopt certain changes in it articles of association at its next annual general meeting of shareholder and expects to be fully compliant then.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of the Company and its subsidiaries as at 31 December 2015.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.3 BASIS OF CONSOLIDATION continued

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 is recognised at fair value.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2015:

New and amended standards and interpretations
The following amendments to IFRS are effective as of the beginning of the year:

- IAS 19 Defined Benefit Plans: Employee Contributions – Amendments to IAS 19

- **Annual Improvements 2010-2012 Cycle**
  - IFRS 2 Shared based Payments
  - IFRS 3 Business Combinations
  - IFRS 8 Operating Segments
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
  - IAS 24 Related Party Disclosures

- **Annual Improvements 2011-2013 Cycle**
  - IFRS 3 Business Combinations
  - IFRS 13 Fair Value Measurement
  - IAS 40 Investment Property

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 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 2015 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.

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 IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IAS 7: Statement of Cash Flows
- 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

Improvements to IFRSs
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The following amendments have not been adopted as they become effective for annual periods beginning on or after 1 January 2016.

- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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, 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 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 next two largest shareholders holding approximately 11.8% and 1.8%, respectively. The remaining 50.29% of the equity shares in Arabtec are widely held by many other shareholders, none of which individually hold more than 1% of the equity shares (as recorded in Arabtec's shareholders' register from 11 November 2014 to 30 April 2015). On 30 April 2015, the Group's attendance in Arabtec's annual general meeting was in simple majority. On that date, 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 asset
The Group recognises deferred tax asset when it is highly likely that its subsidiaries, either individually or on a consolidated basis, will have sufficient future taxable profits that could be utilised in recover deductible temporary difference and unused carried forward losses/credits. At each closing date, the consolidated subsidiaries reassess recognised deferred tax asset to verify that they still qualify for recognition and they make the appropriate adjustments on the basis of the outcome of the analysis performed. These analysis 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, Abu Dhabi Oil Co. and CLH as associates, note 4.3 disclosures of material associates, note 15 accounting for the transfer of ADCOP, note 21.2 accounting of Cosmo as an available-for-sale investments, note 27 shareholder loan and note 42 1MDB Guarantees.

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

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.

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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

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.

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. 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 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 on the reporting date.

All differences are taken to the consolidated statement of profit or loss with the exception of all monetary items that are designated as and provide an effective hedge of a net investment in a foreign operation, translation of long-term receivables that are considered part of investments in subsidiaries or associated companies and 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 ruling at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

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

Fair value measurement

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

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

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

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.

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.

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 include 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. These provisions are included in deferred tax liabilities.

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

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to note 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 are charged to income as incurred. Acquisitions of exploration rights are capitalized and feasibility analyses and impairment tests, if any, are performed periodically on a field-by-field basis based on the results of exploration. Exploration rights are amortized over a period not exceeding the term of contract.

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

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

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

Commercial properties	20 to 67 years
Residential properties	20 to 40 years

Land is not depreciated.

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Development properties are measured at the lower of cost and net realisable value. Pre-construction costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre construction costs are recognised as an asset and charged as an expense over the period of the contract.

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. 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 refined products, the costs are allocated 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.

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.

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 record a provision in the consolidated financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Legal provisions and contingent liabilities continued
The Group does not recognize contingent liabilities, but disclose 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 do not disclose such information, but do 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 costs' in consolidated statement of profit or loss:

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Due from banks and loans and other receivables due from banking customers

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

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

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

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value 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

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 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.

3.2 2014 BUSINESS COMBINATIONS

3.2.1 Acquisition of Coastal Energy Company

On 17 January 2014 the acquisition of Coastal Energy Company ("Coastal") by Condor Acquisition (Cayman) Limited ("CACL"), a subsidiary of Compañía Española de Petróleos, SAU ("CEPSA"), was completed through a merger between Coastal and a subsidiary of CACL.

The procedure began on 18 November 2013 with the signing of the merger agreement, regulating the acquisition by CACL of Coastal shares issued and in circulation at a price of CAD 19.00 per share.

On 6 January 2014, Coastal shareholders approved the merger and Coastal shares were subsequently delisted from the Toronto stock exchange index and the London stock exchange alternative investment market ("AIM"). The merger was completed on 17 January 2014 after meeting all the conditions of the transactions.

Coastal is an oil and gas group, which carries out exploration activities for natural gas and oil, with most of its assets located in Thailand and Malaysia.

3 **BUSINESS COMBINATION** continued

3.2 **2014 BUSINESS COMBINATIONS** continued

3.2.1 **Acquisition of Coastal Energy Company** continued

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

	Fair value recognised on acquisition Euro '000	*Fair value recognised on acquisition US $ '000*
Assets		
Property, plant and equipment	**2,549,703**	**3,452,553**
Investments in associates	**163,576**	**221,498**
Inventories	**17,062**	**23,104**
Trade receivables	**50,371**	**68,207**
Other assets	**4,546**	**6,156**
Cash and cash equivalents	**70,549**	**95,530**
	2,855,807	**3,867,048**
Liabilities		
Borrowings	**(178,487)**	**(241,689)**
Provisions	**(2,893)**	**(3,917)**
Deferred tax liabilities	**(1,525,445)**	**(2,065,605)**
Trade payables	**(296,439)**	**(401,408)**
Other liabilities	**(5,267)**	**(7,132)**
	(2,008,531)	**(2,719,751)**
Total identifiable net assets at fair value	**847,276**	**1,147,297**
Goodwill arising from business combination	**669,106**	**906,036**
Cost of business combination	**1,516,382**	**2,053,333**

Cash outflow on the acquisition is as follows:

	US $ 000
Consideration paid	**2,053,333**
Cash acquired with Coastal Energy Company	**(95,530)**
Net cash outflows from investing activities	**1,957,803**

Goodwill recognized mainly arose from recognition of deferred tax liabilities resulting from the measurement of Coastal's assets at fair value, as a result of the purchase price allocation. The purchase price allocation has been completed as of 31 December 2014. As at 31 December 2015, the recoverable amount was lower than the carrying amount, an impairment loss amounting to US $ 615,997 thousand (note 19) was recorded.

3 BUSINESS COMBINATIONS continued

3.2 2014 BUSINESS COMBINATIONS continued

3.2.2 Acquisition of Speciality Polymers Antwerp, N.V.

On 1 September 2014, Borealis (via Borealis Polymers, N.V., in Beringen, Belgium, a 100% subsidiary of Borealis AG, Vienna, Austria) acquired 670 shares of Speciality Polymers Antwerp N.V., Zwijndrecht, Belgium (hereafter 'SPA'), from DuPont Holding Netherlands B.V. (the Seller).

Together with 330 shares (33%) already owned before the acquisition by Borealis Polymers N.V., Belgium, and Borealis Kallo N.V., Belgium (directly or indirectly) 100% subsidiaries of Borealis AG, Vienna, Austria, Borealis became 100% owner of SPA. SPA is a producer of acrylate based co- and ter-polymers and ethylene vinyl acetate.

The fair value of the net assets acquired amounted to Euro 28,983 thousand (US $ 38,060 thousand). Goodwill arising on acquisition amounted to Euro 1,897 thousand (US $ 2,491 thousand). The acquisition has been accounted for using the acquisition method. The acquisition date fair value of the acquired assets and liabilities is final. The cost of business combination was Euro 23,049 thousand (US $ 30,268 thousand). The cash acquired with the business was Euro 903 thousand (US $ 1,186 thousand).

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 2015. The significant subsidiaries of the Company are listed in the following table:

Name of company	*Country of incorporation*	*Percentage holding*	
		31 December 2015	*31 December 2014*
Borealis AG ("Borealis")	Austria	**64%**	64%
NOVA Chemicals Corporation ("NOVA")	New Brunswick, Canada	**100%**	100%
Compañía Española de Petróleos, S.A.U. ("CEPSA")	Spain	**100%**	100%
Aabar Investments PJS ("Aabar")	United Arab Emirates	**98.46%**	98.32%
Falcon Private Bank Ltd. ("Falcon Private Bank")	Switzerland	**100%**	100%
Arabtec Holding PJSC ("Arabtec")	United Arab Emirates	**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 infrastructure, automotive and advanced packaging. Base Chemicals includes 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 Performance Styrenics. NOVA's polyethylene and styrenic polymer resins are used in a wide range of applications including rigid and flexible packaging, containers, plastic bags, plastic pipe, consumer electronics, building and construction materials, housewares and other industrial and consumer goods. In addition to NOVA's principal business of producing and selling plastics and chemicals, NOVA offers some proprietary technologies for licensing.

CEPSA
CEPSA is registered in Madrid, Spain. CEPSA and its affiliated companies form an integrated business group which operate in the oil and gas industry, both within Spain and abroad, and engages in business activities related to the exploration and extraction of crude oil, the production of petrochemical and energy products, asphalts, lubricants and polymers, their distribution and marketing, as well as gas distribution 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 2015, the Company acquired additional 0.14% interest in Aabar (2014: 0.49% interest acquired) for a price of AED 1.95 per share (2014: 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 the 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 2015 %	*31 December 2014 %*
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%**	-
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%**	38.00%
Cpo 12	Colombia	Metapetroleum	Exploration	**42.50%**	30.00%
Rio Paez	Colombia	Hocol	Exploration	**16.67%**	17.00%
San Jacinto	Colombia	Hocol	Exploration	**16.67%**	17.00%
PPN	Colombia	Gran Tierra	Exploration	**30.00%**	30.00%
CPE-3	Colombia	Cepsa Colombia	Exploration	**50.00%**	-
Caracara	Colombia	Cepsa Colombia	Research and Production	**70.00%**	70.00%
CPR Espinal	Colombia	Petrobas	Research and Production	**16.67%**	17.00%
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 2015 %	*31 December 2014 %*
Samsung/Arabtec	UAE	**40.00%**	-
Six Contruct/Arabtec	UAE	**50.00%**	-
Samsung/Six Contruct/ Arabtec	UAE	**30.00%**	-
Arabtec/Max Bogl	UAE	**50.00%**	-
Arabtec/Aktor joint operation projects	UAE	**60.00%**	-
Arabtec/ Emirates Sunland	UAE	**50.00%**	-
Arabtec/WCT Engineering	UAE	**50.00%**	-
Arabtec/Engineering and Construction Company	Jordan	**50.00%**	-
Arabtec/Dubai Contracting Company	UAE	**50.00%**	-
Target Engineering and Construction Company LLC/ Marintek Middle East and Asia FLE	UAE	**65.00%**	-
Arabtec Engineering Services/ WCT Engineering	UAE	**50.00%**	-
Arabian Construction Company/ Arabtec	Syria	**50.00%**	-
Arabtec/National Projects and Construction	UAE	**50.00%**	-
Arabtec/Al Isaad	KSA	**66.66%**	-
Arabtec/Combined Group Contracting Company	Kuwait	**60.00%**	-
TAV/CCC/Arabtec	UAE	**33.00%**	-
Oger Abu Dhabi LLC/ Constructora San Jose SA/ Arabtec	UAE	**33.00%**	-
CCC/Arabtec	Kazakhstan	**50.00%**	-
ATC/CCC/DSC Joint Venture Limited	Jordan	**33.00%**	-
ATC/SIAC Joint operations projects	Egypt	**55.00%**	-
ATC/Constructora San Jose SA	UAE	**50.00%**	-
EFECO/ACC	Kazakhstan	**40.00%**	-
Arabtec Al Mukawilon	Palestine	**60.00%**	-
ACC/ Arabtec Joint operations	Lebanon	**50.00%**	-

In addition, at 31 December 2015 the Group, through NOVA, also held a 50% (31 December 2014: 50%) interest in an ethylene plant and a 20% (31 December 2014: 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 of company	*Country of incorporation*	*Percentage holding**	
		31 December 2015	*31 December 2014*
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%**	21.22%
Galactic Ventures LLC (“Virgin Galactic”)	British Virgin Islands	**32.86%**	37.80%
APICO LLC (“APICO”)	USA	**39.00%**	39.00%
Cosmo Abu Dhabi Energy Exploration & Production Co. Ltd (“Abu Dhabi Oil Co.”)	United Arab Emirates	**12.84%**	-
Arabtec Holding PJSC (“Arabtec”)	United Arab Emirates	**-**	35.27%
Compañia Logistica de Hidrocarburos CLH, S.A	Spain	**-**	9.15%

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

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 decreased to 17.75% at 31 December 2015 (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 decreased to 32.86% at 31 December 2015 (37.80% at 31 December 2014) 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 in 2014 (note 3.2.1).

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 12.84%. 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 in Abu Dhabi Oil Co’s board of directors.

4 GROUP INFORMATION continued

4.3 Investments in associates continued

Arabtec
Arabtec is a public joint stock company registered and incorporated in Dubai, United Arab Emirates ("UAE"). Its shares are listed on the 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. Arabtec was previously classified as an associate prior to Aabar's acquiring de facto control on 30 April 2015 (see note 3.1.1).

Compañia Logistica de Hidrocarburos CLH, S.A.
The CLH group was formed by the Company Logistics of Hydrocarbons CLH, S.A. and its subsidiary company, CLH Aviation, S.A. and it is the leading company in transport and storage of petroleum products in the Spanish market. The main activity of CLH is the storage, transport and distribution of petroleum products throughout the Iberian Peninsula and the Balearic Islands.

Compañia Logistica de Hidrocarburos CLH, S.A. was an associate of CEPSA despite CEPSA's ownership of only 9.15%. Significant influence is generally deemed to be exercised over companies which are more than 20% owned. Although the ownership interest in CLH was lower than 20%, significant influence was exercised because, among other factors, CEPSA was represented in CLH's board of directors and there was a high volume of commercial operations between these two companies.

In December 2015, CEPSA sold its entire and remaining 9.15% holding in Compañia Logistica de Hidrocarburos CLH, S.A (note 10 (ii)) to Borealis Spain Parent B.V., a subsidiary of Borealis Infrastructure, an international investor in large-scale infrastructure projects.

4.4 Investments in joint ventures

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

Name of company	*Country of incorporation*	*Percentage holding**	
		2015	*2014*
Medgaz, S.A.	Spain	**42.09%**	42.09%

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

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 SUBSDIARIES

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

	Country of incorporation and operations	***2015*** Percentage holding US $ '000	Profit (loss) allocated to NCI US $ '000	Accumulated NCI	*2014* Percentage holding US $ '000	Profit allocated to NCI US $ '000	Accumulated NCI
Subsidiary:							
Borealis	Austria	**36.00%**	**395,006**	**2,239,432**	36.00%	272,124	1,978,350
Arabtec	United Arab Emirates	**63.89%**	**(304,558)**	**728,429**	-	-	-
Others	-	-	**(33,109)**	**322,473**	-	41,421	379,949
			57,339	**3,290,334**		313,545	2,358,299

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

Arabetc
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 are provided below:

	Borealis ***2015*** ***US $ '000***	*2014* *US $ '000*	*Arabtec* ***2015*** ***US $ '000***
Summarised statement of profit or loss:			
Revenue	**8,550,019**	11,070,397	**1,976,198**
(Loss) profit for the year	**1,097,051**	759,082	**(759,417)**
Other comprehensive income	**328,659**	170,320	**5,952**
Total comprehensive income (losses)	**1,425,710**	929,402	**(753,465)**
Dividend paid to non-controlling interests	**41,281**	34,655	**1,340**
Summarised statement of financial position:			
Non-current assets	**7,317,496**	7,357,482	**804,121**
Current assets	**2,741,378**	2,747,509	**2,717,090**
Non-current liabilities	**(2,236,514)**	(2,759,339)	**(209,111)**
Current liabilities	**(1,614,154)**	(1,863,364)	**(2,440,834)**
Non-controlling interests	**(24,715)**	(27,120)	**(44,268)**
Summarised cash flow information:			
Operating cash flows	**1,289,559**	647,601	**(252,057)**
Investing cash flows	**(292,662)**	(462,631)	**(17,117)**
Financing cash flows	**(435,662)**	(209,162)	**85,282**
Net increase (decrease) in cash and cash equivalents	**561,235**	(24,192)	**(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 Oil Company ("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 Xstrata Plc ("Glencore"), Galactic Ventures LLC ("Virgin Galactic") and Aabar Properties Ltd.

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 2015							
Key components of the segments are							
Revenue 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 fixed assets, net	(1,244,072)	(261)	(699,939)	(102,043)	-	(15,195)	(2,061,510)
Net (reversal of) impairment of fixed assets	(3,898,679)	-	(13,693)	(976,732)	-	-	(4,889,104)
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**	**(3,213,355)**	**1,332,325**	**(114,910)**	**(2,597,701)**
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**	**(3,251,270)**	**1,332,325**	**(114,910)**	**(2,627,665)**
Year ended 31 December 2014							
Key components of the segments are							
Revenue from external customers	34,789,933	-	16,229,770	146,468	-	17,479	51,183,650
Share of post-tax profits of associates and joint ventures	89,082	817	584,392	(68,958)	(16,938)	-	588,395
Depreciation and amortization of fixed assets, net	(1,573,305)	-	(755,939)	(14,350)	-	(14,868)	(2,358,462)
Net impairment of fixed assets	(56,187)	-	(36,807)	191,252	-	-	98,258
Finance income	83,943	40,298	13,186	206,909	-	8,954	353,290
Finance costs	(135,295)	-	(184,710)	(239,810)	-	(663,947)	(1,223,762)
Gains on acquisitions and disposals	10,680	-	392	117,169	-	-	128,241
Other gains (losses) on financial instruments	31,281	-	(121,326)	(221,394)	-	66,666	(244,773)
Tax expense	248,248	-	(262,134)	6,800	-	-	(7,086)
Profit (loss) for the year (segment results)	(369,124)	71,619	1,296,771	382,850	(32,523)	169,676	1,519,269

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 2015							
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	18,274,447	589,704	1,206,556	48,204,203
Total assets	**17,798,620**	**793,859**	**17,108,462**	**20,453,496**	**683,045**	**1,206,556**	**58,044,038**
Liabilities							
Liabilities classified as held for sale	70,799	-	-	296,535	-	-	367,334
Other segment liabilities	8,292,336	262	6,631,090	15,584,916	465,716	13,683,835	44,658,155
Total liabilities	**8,363,135**	**262**	**6,631,090**	**15,881,451**	**465,716**	**13,683,835**	**45,025,489**
Other segment information							
Additions during the year							
Property, plant and equipment	**1,072,730**	**26,102**	**894,899**	**151,242**	**283**	**4,179**	**2,149,435**
Intangible assets	**89,297**	**-**	**107,417**	**32,435**	**-**	**-**	**229,149**
Investment properties	**-**	**-**	**-**	**162,125**	**-**	**1,000**	**163,125**
At 31 December 2014							
Assets							
Investments in associates and joint ventures	4,223,909	71,573	3,497,744	4,009,252	78,281	-	11,880,759
Asset classified as held for sale	-	-	-	-	3,753,034	-	3,753,034
Other segment assets	21,579,323	727,866	13,553,930	13,066,955	205,016	1,525,213	50,658,303
Total assets	25,803,232	799,439	17,051,674	17,076,207	4,036,331	1,525,213	66,292,096
Liabilities							
Total liabilities	12,631,758	-	7,606,228	11,068,083	4,000,044	14,735,518	50,041,631
Other segment information							
Additions during the year							
Property, plant and equipment	1,298,147	-	1,124,337	1,088	7,137	25,810	2,456,519
Intangible assets	177,967	-	132,938	5,103	-	-	316,008
Investment properties	-	-	-	154,276	-	10,234	164,510

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*
Revenue from external customers							
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**
Year ended 31 December 2014	189,847	481,864	3,980,259	2,507,001	22,535,379	21,489,300	51,183,650

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

	UAE *US $ '000*	*Austria* *US $ '000*	*USA* *US $ '000*	*Canada* *US $ '000*	*Spain* *US $ '000*	*Others* *US $ '000*	*Total* *US $ '000*
2015							
Non-current assets							
Property, plant and equipment	**575,564**	**823,197**	**16,833**	**4,144,499**	**3,889,785**	**4,441,629**	**13,891,507**
Intangible assets	**520,818**	**253,749**	**3,397**	**340,010**	**668,986**	**997,053**	**2,784,013**
Investment properties	**2,897,283**	**-**	**-**	**-**	**-**	**-**	**2,897,283**
2014							
Non-current assets							
Property, plant and equipment	326,664	960,276	16,739	3,917,723	4,167,576	8,125,664	17,514,642
Intangible assets	326,554	260,213	4,928	340,216	981,804	1,536,292	3,450,007
Investment properties	2,558,958	-	-	-	-	-	2,558,958

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2015 US $ '000	*31 December 2014 US $ '000*
Share of net assets:		
Associates	**8,529,929**	11,157,729
Joint ventures	**620,942**	723,030
	9,150,871	11,880,759

	2015 US $ '000	*2014 US $ '000*
Share of post-tax (losses) profits from continuing operations		
Associates	**(392,175)**	639,422
Joint ventures	**(29,403)**	(51,027)
	(421,578)	588,395

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

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

	2015				*2014*			
	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	**25,013,981**	**3,822,885**	**8,609,058**	**37,445,924**	47,726,994	3,240,432	14,360,348	65,327,774
(Loss) profit from continuing operations	**(1,393,552)**	**1,341,234**	**110,415**	**58,097**	815,236	1,342,670	1,009,784	3,167,690
(Loss) profit for the year	**(1,393,552)**	**1,341,234**	**398,506**	**346,188**	815,236	1,342,670	1,042,552	3,200,458
Other comprehensive income	**98,826**	**-**	**155,722**	**254,548**	155,531	-	66,264	221,795
Total comprehensive (loss) income	**(1,294,726)**	**1,341,234**	**554,228**	**600,736**	970,767	1,342,670	1,108,816	3,422,253
The Group's share of post-tax (loss) profit from associates	**(361,514)**	**538,178**	**(568,839)**	**(392,175)**	86,011	539,200	14,211	639,422
Dividend receive from associates during the year	**112,182**	**-**	**68,104**	**180,286**	139,424	29,045	68,700	237,169

7 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued

7.1 Investments in associates continued

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

	2015		2014	
	OMV US $ '000	*Borouge* US $ '000	*OMV* US $ '000	*Borouge* US $ '000
Current assets	**9,352,182**	**1,898,578**	10,151,275	1,625,634
Non - current assets	**26,127,455**	**9,569,707**	30,907,402	9,765,505
Current liabilities	**(8,747,169)**	**(663,691)**	(10,757,033)	(529,885)
Non - current liabilities	**(11,203,067)**	**(1,997,590)**	(12,636,422)	(3,035,712)
Hybrid capital	**(2,423,312)**	**-**	(896,208)	-
Non-controlling interests	**(2,851,037)**	**-**	(3,546,771)	-
Net assets	**10,255,052**	**8,807,004**	13,222,243	7,825,542

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

	2015			2014		
	OMV US $ '000	*Borouge* US $ '000	*Total* US $ '000	*OMV* US $ '000	*Borouge* US $ '000	*Total* US $ '000
Share of net assets	**2,553,508**	**3,522,802**	**6,076,310**	3,292,338	3,130,217	6,422,555
Other adjustments	**85,721**	**(6,969)**	**78,752**	134,244	(9,428)	124,816
Carrying amount	**2,639,229**	**3,515,833**	**6,155,062**	3,426,582	3,120,789	6,547,371
Carrying amount of other listed associates			**1,308,264**			3,436,582
Carrying amount of other unlisted associates			**1,066,603**			1,173,776
Total carrying amount of associates			**8,529,929**			11,157,729

Certain of the Group's associates are listed on various stock exchanges. The fair value of these listed associates was US 3,128,714 thousand at 31 December 2015 (31 December 2014: US $ 4,640,521 thousand) while their carrying values were US $ 3,947,493 thousand at 31 December 2015 (31 December 2014: US $ 6,863,164 thousand).

Although the market value of these publicly traded associates at the reporting date was lower than the carrying value, no impairment has been recorded as the long-term value represented by those investments is, in management's view, higher than the market value, except for RHB where management recorded an impairment of US $ 448,988 thousand (2014: nil) within share of post-tax (losses) 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 2015, particularly in relation to the sharp decline in global oil prices, drop in EUR/USD exchange rate.

8 FINANCE INCOME

	2015	*2014*
	US $ '000	*US $ '000*
Dividend income	**98,297**	66,873
Interest and other income	**135,471**	286,417
	233,768	353,290

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

	2015	*2014*
	US $ '000	*US $ '000*
Interest expense on borrowings and derivatives	**(963,373)**	(1,143,061)
Other interest costs	**(77,143)**	(80,701)
	(1,040,516)	(1,223,762)

10 GAINS ON ACQUISITIONS AND DISPOSALS

	2015	*2014*
	US $ '000	*US $ '000*
Loss on disposal of financial instruments – net	**(7,925)**	(348)
Gain on disposal/partial disposal of an associate – net (i)	**98,261**	130,704
Loss on disposal of property, plant and equipment – net	**(892)**	(16,878)
Gain on transfer of ADCOP (note 15)	**1,400,000**	-
Other gains – net	**20,331**	14,763
	1,509,775	128,241

(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 (note 4.3) and loss of US $ 38,964 thousand on the conversion of Arabtec from an associate to a subsidiary.

In 2014, Aabar disposed 2.73% ownership stake in Arabtec at a gain amounting to US $ 130,704 thousand. As at 31 December 2015, Aabar owned 36.11 % stake in Arabtec Holding PJSC.

11 LOSSES ON FINANCIAL INSTRUMENTS

	2015	*2014*
	US $ '000	*US $ '000*
Impairment losses on available-for-sale financial instruments (i)	**(945,685)**	(120,249)
Impairment reversal (loss) on financial instruments at amortised cost	**15,392**	(29,810)
Fair value loss on non-derivative financial instruments at fair value through profit or loss (ii)	**(213,572)**	(283,562)
Fair value gain on derivative financial instruments (iii)	**57,602**	164,114
Other (losses) gains on financial instruments	**(1,469)**	24,734
	(1,087,732)	(244,773)

(i) Impairment loss on available-for-sale financial investments as at 31 December 2015 mainly represents the following:

	2015	*2014*
	US $ '000	*US $ '000*
Impairment loss on investments in Glencore	**(325,765)**	-
Impairment loss on investments in Oil Search	**(522,452)**	-
Impairment loss on investments in Cosmo	**(12,778)**	(120,249)

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

	2015	*2014*
	US $ '000	*US $ '000*
Fair value loss on Daimler AG shares	**-**	(22,335)
Fair value loss on Unicredit SpA shares	**(242,138)**	(259,896)

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

	2015	*2014*
	US $ '000	*US $ '000*
Call options on Daimler AG shares (note a)	**(251,788)**	23,896
Embedded derivatives on exchangeable bonds of Daimler AG shares (note b)	**227,282**	30,828
Embedded derivatives on exchangeable bonds of Unicredit SpA shares (note c)	**108,385**	-

11 LOSSES ON FINANCIAL INSTRUMENTS continued

(a) This balance represents fair value changes of the purchased call options associated with the call options embedded in the exchangeable bonds.

(b) 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 the 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 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.

12 INCOME TAX CREDIT (EXPENSE)

The major components of income tax credit (expense) for the years ended 31 December 2015 and 2014 are:

	2015	*2014*
	US $ '000	*US $ '000*
Consolidated statement of profit or loss		
Current income tax expense:		
Corporation tax	**(704,655)**	(493,673)
Prior year charge	**(14,642)**	(4,755)
Total current income tax expense	**(719,297)**	(498,428)
Deferred tax:		
Origination and reversal of temporary differences (i)	**2,594,851**	335,423
Impact of change in tax laws	**(93,081)**	121,881
Reversal of previous write-down of deferred tax assets	**59,015**	34,038
Total deferred tax credit	**2,560,785**	491,342
Tax credit (expense) reported in the consolidated statement of profit or loss relating to continuing operations	**1,841,488**	(7,086)

(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.

	2015	*2014*
	US $ '000	*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	**(18,059)**	32,824
Defined benefit pension scheme	**(6,267)**	39,573
Available-for-sale investments	**77**	83
Net gain on hedge of net investments	**113,294**	116,642
Income tax credit directly to equity	**89,045**	189,122

The reconciliation of income tax expense and accounting profit multiplied by the Group's average income tax rate for 2015 and 2014 is as follows:

	2015	*2014*
	US $ '000	*US $ '000*
Accounting (loss) profit before tax from continuing operations	**(4,439,189)**	1,526,355
At average income tax rate of 30% (2014: 30%)	**1,331,757**	(457,907)
Expenses not deductible for tax purposes	**(7,228)**	(18,048)
Effect of share from the (loss) profit of associates and joint ventures	**(126,474)**	176,519
Non-taxable (loss) income	**(507,148)**	179,545
Higher taxes on overseas earnings (i)	**745,489**	(78,696)
Reversal of previous write-down of deferred tax assets	**59,015**	34,038
Tax credit on impairment (ii)	**383,044**	-
Impact of changes in tax laws	**(93,081)**	121,881
Prior year charge	**(14,642)**	(4,755)
Difference in tax rates	**(38,200)**	18,898
Tax credits and relief applied (iii)	**108,026**	26,105
Others	**930**	(4,666)
Income tax credit (charge) for the year	**1,841,488**	(7,086)

(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 the year, 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 generated as a result of the impairment of Coastal's assets as per Spanish corporate income tax laws.

(iii) In 2015, 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 2014 and 2015 is as follows:

Deferred tax assets relate to the following:

	1 January 2014 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 2014 US $ '000*	***Recognised in profit or loss US $ '000***	***Recognised in other comprehensive income US $ '000***	***Acquisitions and disposals US $ '000***	***Transfers US $ '000***	***Exchange differences US $ '000***	***31December 2015 US $ '000***
Derivative contracts	13,450	(2,804)	136,758	(3,690)	10,894	(13,812)	140,796	**-**	**(112,265)**	**-**	**-**	**(11,938)**	**16,593**
Impairment	23,127	13,836	-	-	-	(4,003)	32,960	**298,305**	**-**	**3,071**	**(2,183)**	**(10,429)**	**321,724**
Other timing differences	(110,488)	(27,141)	12,464	154	-	13,893	(111,118)	**(49,787)**	**18,018**	**-**	**-**	**13,670**	**(129,217)**
Pension and post-employment medical benefits	117,895	165	39,573	3,735	(948)	(12,811)	147,609	**(9,720)**	**(6,267)**	**-**	**(1,045)**	**(11,143)**	**119,434**
Tax losses carried forward	325,332	30,474	-	-	-	(36,425)	319,381	**113,922**	**-**	**1,465**	**-**	**(23,475)**	**411,293**
Provisions	37,371	4,877	-	(2,540)	(93)	(4,630)	34,985	**(6,282)**	**-**	**89**	**-**	**(3,649)**	**25,143**
Accelerated capital allowances	172,897	41,878	-	867	488	(24,589)	191,541	**(33,837)**	**-**	**(76,768)**	**40,024**	**(4,515)**	**116,445**
Others	45,618	80,979	(1)	667	26,033	(12,949)	140,347	**85,635**	**202,079**	**6,500**	**2,763**	**(23,294)**	**414,030**
	625,202	142,264	188,794	(807)	36,374	(95,326)	896,501	**398,236**	**101,565**	**(65,643)**	**39,559**	**(74,773)**	**1,295,445**

Deferred tax liabilities relate to the following:

	1 January 2014 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 2014 US $ '000*	***Recognised in profit or loss US $ '000***	***Recognised in other comprehensive income US $ '000***	***Acquisitions and disposals US $ '000***	***Transfers US $ '000***	***Exchange differences US $ '000***	***31December 2015 US $ '000***
Accelerated capital allowances	(1,465,213)	48,780	-	(28)	1,740	87,369	(1,327,352)	**43,757**	**-**	**(2,703)**	**16,477**	**(10,630)**	**(1,280,451)**
Acquisition fair value adjustment on intangibles	(298,717)	17,309	-	-	14,175	22,352	(244,881)	**75,060**	**-**	**34**	**-**	**15,122**	**(154,665)**
Acquisition fair value adjustment on property, plant and equipment and other non-current assets	(391,875)	137,271	-	(2,063,114)	-	46,429	(2,271,289)	**2,078,259**	**-**	**-**	**-**	**(42,178)**	**(235,208)**
(Loss) gain on revaluation of other assets	(12,561)	4,341	-	-	(2,553)	1,405	(9,368)	**1,100**	**-**	**-**	**-**	**934**	**(7,334)**
Gain (loss) on revaluation of non-derivative financial instruments	3,003	6,196	-	-	(17,110)	(13,076)	(20,987)	**(3,461)**	**-**	**2,685**	**(9,924)**	**14,282**	**(17,405)**
Inventories	(20,120)	(10,948)	-	(1,812)	-	3,584	(29,296)	**(620)**	**-**	**-**	**-**	**3,005**	**(26,911)**
Other timing differences	50,610	50,607	-	(3,838)	43,217	(14,031)	126,565	**(7,182)**	**-**	**-**	**-**	**(12,378)**	**107,005**
Temporary differences on accrued expenses	110,069	95,886	-	-	11,973	-	217,928	**(57,898)**	**-**	**-**	**-**	**-**	**160,030**
Uncertain tax provisions	(31,031)	1,218	-	-	-	-	(29,813)	**888**	**-**	**-**	**-**	**-**	**(28,925)**
Pension and post-employment benefits	(5,074)	(2,497)	-	-	-	831	(6,740)	**1,573**	**-**	**-**	**-**	**654**	**(4,513)**
Acquisition fair value adjustment on associates	(86,606)	-	-	-	690	9,677	(76,239)	**41,702**	**-**	**-**	**-**	**6,880**	**(27,657)**
Others	(26,235)	915	328	(42)	3,201	3,446	(18,387)	**(10,629)**	**(12,520)**	**-**	**4,435**	**2,189**	**(34,912)**
	(2,173,750)	349,078	328	(2,068,834)	55,333	147,986	(3,689,859)	**2,162,549**	**(12,520)**	**16**	**10,988**	**(22,120)**	**(1,550,946)**

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 not to be prudent to recognize such losses until such time as profits against which the losses may be utilized can be anticipated with certainty. The Group has cumulative tax losses in some jurisdictions amounting to US $ 126,304 thousand (31 December 2014: US $ 195,378 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 $ 363,221 thousand (31 December 2014: US $ 316,744 thousand).

13 REVENUE

	2015	*2014*
	US $ '000	*US $ '000*
Banking and financial services	**181,227**	134,103
Construction activities	**1,414,954**	-
Exploration and production	**783,882**	1,416,919
Gas and power	**734,454**	1,096,860
Petrochemicals	**14,692,234**	20,283,926
Refining and distribution	**18,001,996**	28,251,842
	35,808,747	51,183,650

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

	2015	*2014*
	US $ '000	*US $ '000*
Cost of raw materials consumed	**(21,168,501)**	(37,379,737)
Excise tax on oil and gas	**(2,735,924)**	(3,053,694)
Staff costs	**(1,348,967)**	(1,185,790)
Impairment reversal (loss) on raw materials and finished goods – net	**179,901**	(649,570)
Depreciation of property, plant and equipment	**(1,566,545)**	(1,813,875)
Amortization of intangible assets	**(45,535)**	(64,771)
Depreciation of investment properties	**(10,416)**	(8,804)
Impairment of property, plant and equipment (note 17)	**(3,095,274)**	(69,278)
Impairment of investment properties	**(7,631)**	-
Impairment of intangible assets (excluding goodwill)	**(92,010)**	(285)

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 costs

	2015 US $ '000	*2014 US $ '000*
Staff costs	**(276,505)**	(331,960)
Depreciation of property, plant and equipment	**(123,320)**	(147,308)
Amortization of intangible assets	**(19,878)**	(21,760)
Impairment of property, plant and equipment (note 17)	**(346)**	-
Impairment of intangible assets (excluding goodwill)	**(19)**	(133)

(iii) General and administrative expenses

	2015 US $ '000	*2014 US $ '000*
Staff costs	**(636,163)**	(709,835)
Depreciation of property, plant and equipment	**(76,589)**	(48,736)
Amortization of intangible assets	**(44,444)**	(23,132)
Impairment of property, plant and equipment (note 17)	**(10,347)**	(222)
Impairment of investment properties	**(61,132)**	-
Impairment of intangible assets (excluding goodwill)	**(9,629)**	(504)
Impairment of non-financial assets	**(17,674)**	-
Reversal on impairment of property, plant and equipment	**9,355**	-
Net (provision) reversal of impairment of receivables	**(756,921)**	10,109

(iv) Research and development expenses

	2015 US $ '000	*2014 US $ '000*
Staff costs	**(106,391)**	(121,348)
Depreciation of property, plant and equipment	**(156,982)**	(209,186)
Amortization of intangible assets	**(17,801)**	(20,890)
Impairment of property, plant and equipment (note 17)	**(95,712)**	-
Impairment of intangible assets (excluding goodwill)	**(5,293)**	(23,814)

(v) Other income

	2015 US $ '000	*2014 US $ '000*
Reversal on impairment of property, plant and equipment	**-**	192,494

The Group paid US $ 9,268 thousand (2014: US $ 6,155 thousand) in respect of social contributions during the year.

15 ASSET CLASSIFIED AS HELD FOR SALE

	2015 **US $ '000**	*2014* *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	**25,807**	-
ADCOP	**-**	3,753,034
	688,964	3,753,034
Liabilities of Arabtec's operations in Kingdom of Saudi Arabia entities	**296,535**	-
Liabilities of CEPSA's PTA business	**70,799**	-
	367,334	-

Arabtec

Included in assets held for sale is Arabtec's equity interests in certain entities located in the Kingdom of Saudi Arabia. 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). The consideration for the sale of the assets is expected to be higher than the carrying amount.

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 consideration for the sale of the assets is expected to be higher than the carrying amount.

15 ASSET CLASSIFIED AS HELD FOR SALE continued

Abu Dhabi Crude Oil Pipeline ("ADCOP")

At 30 June 2013, the Company transferred the cost of construction of ADCOP from property, plant and equipment to asset held for sale because it met the requirements under IFRS 5. During 2015, additional cost of US $ 446,966 thousand (2014: US $ 73,766 thousand) has been incurred or provided for on ADCOP.

In November 2015, the Company and ADNOC entered into a transfer agreement in relation to ADCOP at a total consideration of US $ 5.6 billion. On 17 April 2014, 19 September 2013 and 13 November 2015 the Company received US $ 2 billion, US $ 2 billion and US $ 1.2 billion, respectively from the Government of the Emirate of Abu Dhabi, as consideration of ADCOP.

On 15 November 2015, the Company has recognised the transfer of ADCOP to ADNOC at a gain of US $ 1.4 billion as the Company considered that the significant risks and rewards of ownership of the ADCOP had been transferred to ADNOC in line with the following requirements of IAS 18:

(i) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over ADCOP. Under the interim use agreement the care, control and custody of the ADCOP Assets have passed to ADNOC and ADCO, as operator for and on behalf of ADNOC, for purposes of using, operating and maintaining the ADCOP Assets.

(ii) The Company has transferred to ADNOC the significant risks and rewards of ownership of the goods. Access to the ADCOP assets by the Company is subject to the Company complying with ADNOC's and ADCO's security, safety and operational procedures, and the Company shall not materially interfere with the ADCOP assets.

16 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

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

	2015	*2014*
	US $ '000	*US $ '000*
Net (loss) profit attributable to ordinary equity holders of the parent for basic earnings	**(2,685,004)**	1,205,724
Weighted average number of ordinary shares for basic earnings per share (in thousands)	**3,500**	3,500
	US $	*US $*
Basic and diluted (loss) earnings per share	**(767)**	345

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*
2015						
Cost:						
At 1 January 2015	1,053,222	16,910,198	2,196,182	6,526,552	652,985	27,339,139
Additions	27,316	501,438	1,088,315	461,358	71,008	2,149,435
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)	(1,191,944)	(110,694)	(178,162)	(15,114)	(1,596,470)
At 31 December 2015	**994,874**	**17,133,721**	**2,101,257**	**6,277,785**	**903,343**	**27,410,980**
Depreciation and impairment:						
At 1 January 2015	225,190	7,241,831	17,761	2,067,898	271,817	9,824,497
Charge for the year	13,770	1,053,346	-	725,173	131,147	1,923,436
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	**215,231**	**7,258,421**	**34,537**	**5,558,352**	**452,932**	**13,519,473**
Net carrying amount:						
At 31 December 2015	**779,643**	**9,875,300**	**2,066,720**	**719,433**	**450,411**	**13,891,507**
2014						
Cost:						
At 1 January 2014	1,171,980	17,793,488	1,560,815	2,792,841	824,408	24,143,532
Additions	10,027	325,743	1,592,688	484,249	43,812	2,456,519
Acquired through business combination	24,565	126,036	4,330	3,285,678	63,763	3,504,372
Disposals	(19,599)	(244,269)	(2,901)	(146)	(120,723)	(387,638)
Transfers	14,726	688,580	(779,156)	194,626	(70,706)	48,070
Exchange adjustments	(148,477)	(1,779,380)	(179,594)	(230,696)	(87,569)	(2,425,716)
At 31 December 2014	1,053,222	16,910,198	2,196,182	6,526,552	652,985	27,339,139
Depreciation and impairment:						
At 1 January 2014	252,787	6,957,958	7,259	1,515,362	363,083	9,096,449
Charge for the year	23,317	1,147,158	-	942,110	106,520	2,219,105
Impairment (note 14)	-	56,735	12,765	-	-	69,500
Reversal of impairment	-	(2,277)	-	-	(26,580)	(28,857)
Disposals	(14,887)	(198,036)	-	(130)	(56,467)	(269,520)
Transfers	(99)	123,692	(2,253)	(1)	(78,719)	42,620
Exchange adjustments	(35,928)	(843,399)	(10)	(389,443)	(36,020)	(1,304,800)
At 31 December 2014	225,190	7,241,831	17,761	2,067,898	271,817	9,824,497
Net carrying amount:						
At 31 December 2014	828,032	9,668,367	2,178,421	4,458,654	381,168	17,514,642

* 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 $ 1,933,115 thousand (31 December 2014: US $ 2,021,375 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 $ 3,125 thousand (31 December 2014: US $ 1,839 thousand). The lease obligations are included in borrowings (see note 29).

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*
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

	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*
2014								
Cost:								
At 1 January 2014	239,418	429,807	351,556	525,257	228,902	904,230	761,182	3,440,352
Additions	32,683	89,177	35,366	-	1,765	-	157,017	316,008
Acquisitions through business combination (note 3.1)	-	267	-	-	-	909,914	-	910,181
Disposals	(1,106)	(53,101)	-	-	-	-	(86,234)	(140,441)
Transfers	5,679	2,540		-	-	-	(36,086)	(27,867)
Exchange adjustments	(21,637)	(39,890)	(42,589)	(62,872)	(27,961)	(29,942)	(70,906)	(295,797)
At 31 December 2014	255,037	428,800	344,333	462,385	202,706	1,784,202	724,973	4,202,436
Amortization and impairment:								
At January 2014	147,666	176,213	185,467	-	76,577	-	120,070	705,993
Charge for the year	28,631	22,734	22,412	-	20,623	-	36,153	130,553
Impairment	429	-	23,814	-	-	-	493	24,736
Reversal of impairment	-	-	-	-	-	-	(1,675)	(1,675)
Disposals	(887)	(4,777)	-	-	-	-	(17,683)	(23,347)
Transfers	(1,035)	2,143	-	-	-	-	(15,034)	(13,926)
Exchange adjustments	(10,894)	(17,777)	(27,412)	-	(24,483)	-	10,661	(69,905)
At 31 December 2014	163,910	178,536	204,281	-	72,717	-	132,985	752,429
Net carrying amount:								
At 31 December 2014	91,127	250,264	140,052	462,385	129,989	1,784,202	591,988	3,450,007

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% (2014: 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 8.5% to 9% (2014: 9.4% to 11.0%). Terminal value was calculated with a long-term growth rate of 1.5% (2014:1.5%). 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 2015.

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	*Aabar US $ '000*	*Falcon US $ '000*	*Arabtec US $ '000*	*CEPSA US $ '000*	*Total US $ '000*
Goodwill						
Carrying amount at 1 January 2015	187,152	326,554	31,599	-	1,238,897	1,784,202
Additions during the year from business Combinations (note 3.1)	-	-	-	690,330	-	690,330
Impairment	-	(326,554)		(560,841)	(615,997)	(1,503,392)
Exchange difference	(20,277)	-	(4,110)	-	(65,279)	(89,666)
Carrying amount at 31 December 2015	**166,875**	**-**	**27,489**	**129,489**	**557,621**	**881,474**

The Group performed its annual impairment test at 31 December 2015.

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 budgets 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 of 1.5% for Borealis (2014: between 1.5% and 2.5%) 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 9.25% to 11.1% (2014: from 7.9% to 11.3%).

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 2015.

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 has been impaired.

Falcon
The Group performed its annual impairment test as at 31 December 2015. No additional impairment was identified. The recoverable amount of Falcon Private Bank at 31 December 2015 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 2015.

Arabtec
Aabar performed its annual impairment test as at 31 December 2015. Impairment of US $ 560,841 thousand was recognised for Arabtec goodwill. The recoverable amount of Arabtec at 31 December 2015 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 2015. The market price of Arabtec was AED 1.25 per share at 31 December 2015 compared to AED 2.82 at date of de facto control date. The concluded fair value of Arabtec (100%) was US $ 1,571 million (AED 5,769 million) as at 31 December 2015.

19 IMPAIRMENT TESTING OF GOODWILL continued

CEPSA
CEPSA constitutes the lowest aggregation of assets that generate largely independent cash inflows. At 31 December 2015, 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 the impairment testing, goodwill arising on the acquisition of Coastal was partially impaired for an amount of 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 $ 2,846,669 thousand (note 17) while related deferred tax amounts of US $ 2,063,767 thousand were reversed (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% (2014: 1.3% to 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 a 1.2% annual inflation rate.

- 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 12% (2014: from 7.7% to 12.2%).

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 2015.

20 INVESTMENT PROPERTIES

	Land *US $ '000*	*Residential and commercial* *US $ '000*	*Under development* *US $ '000*	*Total* *US $ '000*
2015				
Cost:				
At 1 January 2015	2,254,761	373,963	380,253	3,008,977
Additions	2,475	1,000	159,650	163,125
Acquisitions through business combination	137,643	20,532	19,464	177,639
Disposals	(13,661)	(37,640)	-	(51,301)
Transfers	114,353	25,058	(25,058)	114,353
At 31 December 2015	**2,495,571**	**382,913**	**534,309**	**3,412,793**
Accumulated depreciation and impairment:				
At 1 January 2015	353,518	96,501	-	450,019
Charge for the year	-	10,416	-	10,416
Impairment	64,894	3,869	-	68,763
Disposals	(12,490)	(1,198)	-	(13,688)
At 31 December 2015	**405,922**	**109,588**	**-**	**515,510**
Net carrying amount:				
At 31 December 2015	**2,089,649**	**273,325**	**534,309**	**2,897,283**
2014				
Cost:				
At 1 January 2014	2,186,688	363,639	178,235	2,728,562
Additions	-	10,324	154,186	164,510
Transfers	68,073	-	47,832	115,905
At 31 December 2014	2,254,761	373,963	380,253	3,008,977
Accumulated depreciation and impairment:				
At 1 January 2014	435,907	96,592	-	532,499
Charge for the year	-	8,804	-	8,804
Reversal of impairment charge	(82,389)	(8,895)	-	(91,284)
At 31 December 2014	353,518	96,501	-	450,019
Net carrying amount:				
At 31 December 2014	1,901,243	277,462	380,253	2,558,958

Investment properties with a book value of US $ 136,533 thousand (31 December 2014: US $ 241,570 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.

20 INVESTMENT PROPERTIES continued

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

The impairment charge for the year comprises of the aggregate impairment losses of US $ 86,521 thousand (2014: US $ 57,321 thousand) and the net aggregate reversal of impairment losses of US $ 17,758 thousand (2014 US $ 148,605 thousand). The most significant impairment loss with respect to individual investment property items amounts to US $ 13,457 thousand (2014: US $ 39,092 thousand) and reversal of US $ 14,061 thousand (2014: US $ 17,852 thousand), respectively.

Net accumulated impairment losses at 31 December 2015 amounted to US $ 499,187 thousand (2014: US $ 430,424 thousand).

Fair value and value in use assessments have been performed based on varying valuation models depending on the intended use of the investment properties. Recoverable amount of investment properties amounts to US $ 3,201,782 thousand (2014: US $ 2,799,356 thousand) including recoverable amount relating to investment properties for which impairment loss has been reversed or recognised during the year of US $ 1,743,927 thousand (2014: US $ 1,828,519 thousand).

The combined fair value of investment properties at 31 December 2015 amounted to US $ 2,831,165 thousand (2014: US $ 2,587,289 thousand). Investment properties include properties with a carrying value of US $1,154,134 thousand (2014: US $ 1,405,441 thousand) which were valued by management. Management estimated that, for properties internally valued, the recoverable amounts under value-in-use calculations are not significantly different from those under the fair value assumptions. For the remaining investment properties, valuations were performed by independent professional valuers. The valuers are accredited with recognized and relevant professional qualifications and with recent experience in the location and category of investment properties being valued. The fair values have been determined in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards and are considered to approximate those in accordance with IFRS for the Group's properties.

	Valuation technique	***Significant inputs***
Buildings	Investment method	Yield, rental rates, operational and maintenance costs
	Comparable method	Comparable transactions/sales rates
Land	Residual method	Developer's profit, discount rate, yields,
	Discounted cash flows method	See below
Properties under development	Residual method	See below
	Investment method	See below

Both the contracted and market rental rates as well as comparable transactions were used in fair valuations. Operational and maintenance costs were assumed at 10%. Other inputs included, as applicable:

- Investment method: yield of 8 % (2014: 7.75% to 8.25%),
- Discounted cash flow method: inflation rate of 5% (2014: 5%), discount rate of 11% (2014: 11%), terminal growth rate of 3.5% (2014: 3.5%),
- Residual method: developer's profit of 15% (2014: 15%), yield of 9.25% to 9.50% (2014: 9.25% to 9.5%) and finance rate in the range of 5% to 6% (2014: 4.6% to 6.5%),
- Comparable method: Comparable transactions/sales rates (2014: Comparable transactions/sales rates).

When performing fair valuations of land, management assumed the plots will be generally developed based on highest and best use.

21 INVESTMENTS IN FINANCIAL INSTRUMENTS

	2015 US $ '000	2014 US $ '000
Non-derivative financial instruments:		
Financial assets at fair value through profit or loss (note 21.1)		
Held-for-trading	**451,501**	390,230
Designated on initial recognition	**1,752,234**	1,980,037
	2,203,735	2,370,267
Held to maturity investments	**14,292**	23,207
Available-for-sale financial assets (note 21.2)	**2,321,331**	3,185,458
	4,539,358	5,578,932
Derivative financial instruments (note 35)	**299,199**	574,594
	4,838,557	6,153,526
Non-current	**2,551,732**	3,294,132
Current	**2,286,825**	2,859,394
	4,838,557	6,153,526

21.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Percentage holding		Carrying value	
	2015	2014	2015 US $ '000	2014 US $ '000
UniCredit SpA shares (i)	**5.1%**	5.1%	**1,679,900**	1,922,039
Others			**523,835**	448,228
			2,203,735	2,370,267
Non - current			**62,832**	46,276
Current			**2,140,903**	2,323,991
			2,203,735	2,370,267

(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. In 2014, the Group refinanced and restructured the collar position (see note 11(iii)).

21 INVESTMENTS IN FINANCIAL INSTRUMENTS continued

21.2 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Percentage holding		*Carrying value*	
	2015	*2014*	***2015***	*2014*
			US $ '000	*US $ '000*
Quoted investments:				
Glencore Xstrata Plc	**0.75%**	0.75%	**132,436**	460,825
Energias de Portugal	**4.06%**	4.06%	**535,434**	577,866
Cosmo Oil Company Limited *	**20.76%**	20.76%	**238,483**	251,261
Oil Search Limited ("OSH")	**12.89%**	12.89%	**959,747**	1,268,112
OCI N.V.	**2.00%**	-	**104,038**	-
Others			**142,614**	209,476
			2,112,752	2,767,540
Unquoted investments carried at fair value			**171,356**	380,476
Unquoted investments carried at cost			**37,223**	37,442
			2,321,331	3,185,458

*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 2015, the Group recognized an impairment charge of US $ 945,685 thousand (2014: US $ 120,249 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

	2015	*2014*
	US $ '000	*US $ '000*
Trade receivables	**2,677,402**	3,871,060
Loans and other amounts due from banking customers	**1,318,327**	1,653,575
Restricted cash (reclassified to "other assets")	**-**	124,997
Contract receivables	**502,171**	-
Amounts due from customers for contract work (note 33)	**746,128**	-
Retentions receivable	**293,089**	-
Advances paid to suppliers and sub-contractors	**301,846**	-
Contract work in progress	**1,371**	-
Balance due from related parties (note 43)	**235,438**	281,574
	6,075,772	5,931,206
Allowances for doubtful debts	**(233,061)**	(226,261)
	5,842,711	5,704,945
Non-current	**244,639**	128,138
Current	**5,598,072**	5,576,807
	5,842,711	5,704,945

22 TRADE AND OTHER RECEIVABLES continued

Restricted cash consists restricted account balances held as collateral for loans and letters of credit in respect of the Group's investments and projects.

Contract receivables represent amounts due from customers for construction work rendered by Arabtec and certified by customer's consultant. Included in contract receivables are amounts totalling US $ 106,596 thousand from Meydan LLC in connection with the dispute on a contractual arrangement described in Note 41.

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

	2015 ***US $ '000***	*2014* *US $ '000*
Prepayments	**109,730**	71,044
Taxes receivable	**571,150**	815,032
Advances paid	**565,231**	729,632
Accrued income	**104,486**	69,367
Receivable from related parties (note 43)	**692,673**	2,317,834
Loans receivable	**337,064**	341,587
Receivable on assets disposed	**12,345**	4,727
Receivable on the transfer of ADCOP (note 15 and 43)	**400,000**	-
Receivable from 1MDB and/or MOF (note 42) (note ii)	**5,096,703**	481,950
Deferred expenditures	**50,701**	156,918
Restricted cash (reclassified from trade and other receivables) (note i)	**147,925**	-
Other receivables (note iii)	**1,006,664**	23,213
Other assets	**180,462**	133,202
	9,275,134	5,144,506
Allowance for impairment on receivables	**(824,542)**	(67,621)
	8,450,592	5,076,885
Non-current	**5,975,781**	3,247,219
Current	**2,474,811**	1,829,666
	8,450,592	5,076,885

(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

23 OTHER ASSETS continued

(ii) Receivable from 1MDB and/or MOF comprises of the following:
  a) Advance of US $ 1,000,000 thousand provided under the Binding Term Sheet ("BTS") (note 42.3);
  b) Interest payments of US $ 50,312 thousand and US $ 52,413 thousand made on 16 October 2015 and 10 November 2015 respectively under the BTS (note 42.3);
  c) Interest receivable accrued on the above payments as of 31 December 2015 amounting to US $ 12,028 thousand;
  d) Balance outstanding under the Options Agreement amounting to 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).

In relation to each of the amounts in (ii) above recognised on balance sheet it is the Company's opinion, in consultation with external counsels, that the Company has a very strong case to claim back and recover the recorded receivables. The Company is claiming these amounts from MOF under the BTS (see note 42.3). On 13 June 2016, the Company and Aabar submitted a Request for Arbitration (RFA) to the London Court of International Arbitration. The RFA concerns the failure by 1MDB and MOF to perform their contractual obligations under the BTS.

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

24 INVENTORIES

	2015	*2014*
	US $ '000	*US $ '000*
Raw materials	**840,310**	1,451,800
Spare parts	**229,631**	190,551
Consumables	**97,984**	198,448
Work in progress	**8,650**	6,488
Finished goods	**1,955,817**	2,673,910
Consignments	**369**	2,155
In transit	**114,907**	112,837
	3,247,668	4,636,189
Allowance for obsolescence / net realisable value adjustments	**(399,500)**	(636,608)
	2,848,168	3,999,581

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

	2015	*2014*
	US $ '000	*US $ '000*
At 1 January	**(636,608)**	(46,629)
Allowance movement - net	**57,207**	59,591
Reversal of (write-down of) inventories to net realisable value (note 14)	**179,901**	(649,570)
At 31 December	**(399,500)**	(636,608)

25 CASH AND CASH EQUIVALENTS

	2015 ***US $ '000***	*2014* *US $ '000*
Bank balances:		
deposit accounts	**1,311,206**	2,270,534
call and current accounts	**3,917,095**	2,860,518
Cash in hand	**127,626**	172,206
Cash and short term deposits	**5,355,927**	5,303,258

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 $ 575,932 thousand (2014: US $ 936,964 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***	
	2015 ***US $ '000***	*2014* *US $ '000*	***2015*** ***US $ '000***	*2014* *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 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 2014	2,314,463	(1,635,332)	(37,064)	(152,223)	(362,006)	127,838
Other comprehensive loss for the year	(282,754)	(2,130,956)	(62,655)	(90,102)	337,035	(2,229,432)
Movements in other reserves	-	6,949	-	-	-	6,949
Balance at 31 December 2014	2,031,709	(3,759,339)	(99,719)	(242,325)	(24,971)	(2,094,645)
Other comprehensive income (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)**

29 BORROWINGS

	2015 US $ '000	2014 US $ '000
Listed notes and other borrowing instruments	**13,901,976**	15,661,801
Unlisted borrowings	**12,903,800**	13,944,713
Overdrafts	**767,044**	341,609
Others	**4,362**	1,440
	27,577,182	29,949,563
Non-current	**19,507,767**	24,006,113
Current	**8,069,415**	5,943,450
	27,577,182	29,949,563

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

	2015 US $ '000	2014 US $ '000
The Company	**13,066,622**	14,165,619
Aabar	**7,217,918**	7,253,872
NOVA	**997,765**	1,000,284
Borealis	**1,785,551**	2,226,991
CEPSA	**4,509,326**	5,302,797
	27,577,182	29,949,563

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

	2015 US $ '000	2014 US $ '000
EUR	**11,810,357**	13,303,966
USD	**12,286,497**	13,550,934
GBP	**1,343,855**	1,415,192
AED	**994,430**	810,627
JPY	**560,064**	561,561
CNY	**486,976**	275,616
Others	**95,003**	31,667
	27,577,182	29,949,563

As of 31 December 2015 and 2014, 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*	***2015*** ***US $ '000***	*2014* *US $ '000*
IPIC - Bond 1	2020	US $	5.000%	**1,488,913**	1,487,091
IPIC - Bond 2 (note iii)	2015	US $	3.125%	**-**	998,522
IPIC - Bond 3	2021	EUR	5.875%	**1,339,671**	1,489,203
IPIC - Bond 4 (note iv)	2016	EUR	4.875%	**1,355,945**	1,505,810
IPIC - Bond 5	2026	GBP	6.875%	**803,620**	849,109
IPIC - Bond 6	2022	US $	5.500%	**1,493,897**	1,493,142
IPIC - Bond 7	2017	US $	3.750%	**1,497,534**	1,495,590
IPIC - Bond 8	2041	US $	6.875%	**743,216**	743,118
IPIC - Bond 9(note iii)	2015	US $	1.750%	**-**	748,493
IPIC - Bond 10	2018	EUR	2.375%	**865,692**	962,774
IPIC - Bond 11	2023	EUR	3.625%	**913,680**	1,016,462
Aabar - Exchangeable bond 1 (note i)	2016	EUR	4.000%	**-**	1,491,355
Aabar - Exchangeable bond 2 (note ii)	2020	EUR	0.50%	**1,039,164**	-
Aabar - Exchangeable bond 3 (note ii)	2022	EUR	1.00%	**1,018,399**	-
Borealis - Bond 1	2017	EUR	5.375%	**217,240**	241,960
Borealis - Bond 2	2019	EUR	4.000%	**135,775**	151,225
NOVA - Bond 6	2023	US $	5.250%	**494,786**	494,099
NOVA - Bond 7 (note i)	2025	US $	5.000%	**494,444**	493,848
				13,901,976	15,661,801

(note i) - On 27 May 2011, Aabar issued EUR 1,250,000 thousand 4% 5 year senior unsecured exchangeable bonds, which may be exchangeable into Daimler AG shares (“the Daimler Exchangeable Bonds”). The Daimler 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 shares in Daimler AG or cash of an equivalent value at the option of Aabar. The balance does not include embedded call options. The exchangeable bonds were settled by delivery of shares to the bond holders during the year.

(note ii) - 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 bonds 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 iii) – IPIC – Bond 2 and IPIC – Bond 9 were completely repaid in November 2015 on maturity.

(note iv) – IPIC – Bond 4 was completely repaid in May 2016 on maturity.

29 BORROWINGS continued

Unlisted borrowings

	Maturity (Year)	*Currency*	***2015*** ***US $ '000***	*2014* *US $ '000*
IPIC - Loan 15	2018	JPY	**560,064**	561,561
IPIC - Loan 16 (note i)	2016	EUR / US $	**934,306**	800,256
IPIC - Loan 17 (note i)	2019	EUR / US $	**931,172**	-
Aabar - Loan 12 (note ii)	2015	AED	**-**	204,221
Aabar - Loan 16 (note 44 (iii))	2016	US $	**492,515**	488,379
Aabar - Loan 17 (note 44 (iii))	2016	AED	**356,026**	353,037
Aabar - Loan 18 (note 44 (iii))	2016	EUR	**550,480**	610,987
Aabar - Loan 19 (note 44 (iii))	2018	US $	**286,463**	284,724
Aabar - Loan 20 (note 44 (iii))	2018	AED	**234,621**	233,197
Aabar - Loan 21 (note 44 (iii))	2018	EUR	**386,843**	430,371
Aabar - Loan 22 (note ii)	2015	US $	**-**	172,986
Aabar - Loan 23 (note 44 (iv))	2016	GBP	**496,000**	519,580
Aabar - Loan 24 (note iv)	2017	US $	**-**	299,992
Aabar - Loan 25	2017	EUR	**464,040**	519,406
Aabar - Loan 26 (note 44 (iv))	2019	EUR	**732,952**	820,403
Aabar - Loan 27	2017	EUR	**373,493**	418,056
Borealis- Loan 1	2018	EUR	**130,344**	173,001
Borealis- Loan 3	2016 - 2028	EUR / US $	**162,930**	181,470
CEPSA- Loan 1	2018	US $	**209,518**	279,008
CEPSA- Loan 3	2015	EUR	**-**	241,960
CEPSA- Loan 7	2022	EUR	**142,564**	181,470
CEPSA- Loan 18	2021	US $	**269,380**	269,044
CEPSA- Loan 19	2020	US $	**274,369**	274,026
CEPSA- Loan 20	2017	EUR	**-**	222,833
CEPSA- Loan 21	2018	US $	**588,645**	398,583
CEPSA- Loan 22	2024	CNY	**324,312**	247,377
CEPSA- Loan 23	2019	US $	**-**	199,292
CEPSA- Loan 24	2015	EUR	**-**	151,225
CEPSA- Loan 25	2023	US $	**149,656**	149,469
CEPSA- Loan 26	2016	US $	**127,706**	182,352
CEPSA- Loan 27	2020	US $	**389,104**	509,190
CEPSA- Loan 28	2016	US $	**296,908**	197,266
CEPSA- Loan 29	2016	EUR / US $	**219,495**	-
Other unlisted borrowings			**2,819,894**	3,369,991
			12,903,800	13,944,713

Analysed as follows:

	2015 ***US $ '000***	*2014* *US $ '000*
Fixed interest rate loans	**2,425,482**	2,982,822
Variable interest rate loans	**10,477,518**	10,961,891
	12,903,000	13,944,713

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 billion 3 years and US $ 1 billion 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. At 31 December 2015, facilities were fully drawn (31 December 2014: undrawn amount (equivalent) of US $ 979,234 thousand).

(note ii) - In April 2015, Aabar repaid its AED 750,000 thousand (Aabar – Loan 12) and US $ 208,708 thousand (Aabar – Loan 22) (multicurrency) loan facilities which were due to mature in September 2015.

29 BORROWINGS continued

Unlisted borrowings continued
(note iii) – In May 2015, Aabar repaid its US $ 300,000 thousand (Aabar – Loan 24) loan facility which was due to mature in July 2017.

(note iv) - 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 2015.

(note vi - All loans within Others are individually less than US $ 150,000 thousand and are unsecured except for an amount of US $ 8,535 thousand (31 December 2014: US $ 12,337 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 during the year. 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*	***2015*** ***US $ '000***	*2014* *US $ '000*
IPIC - Overdraft	On demand	US $	**138,913**	25,053
Other overdrafts	On demand	EUR / US $ / AED	**628,131**	316,556
			767,044	341,609

IPIC overdraft has an undrawn amount of US $1,289,087 thousand as at 31 December 2015 (31 December 2014: US $ 1,402,947 thousand).

All overdrafts within Other overdrafts are unsecured except for an amount of US $ 21,780 thousand (31 December 2014: US $ 7,922 thousand) which is secured on property, plant and equipment and project proceeds.

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%.

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

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:

	2015 US $ '000	2014 US $ '000
Wages and salaries	**1,607,326**	1,714,741
Defined contribution plans	**93,269**	55,349
Defined benefit plans	**55,122**	71,267
Bonuses	**149,960**	141,156
Others	**462,349**	366,420
	2,368,026	2,348,933

The number of employees of the Group at 31 December 2015 was 81,760 (31 December 2014: 19,892).

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

	2015 US $ '000	2014 US $ '000
Employee end of service benefits	**58,786**	4,985
Pensions	**481,686**	643,333
	540,472	648,318
Unfunded	**111,331**	128,686
Partly funded	**345,979**	488,003
Wholly funded	**83,162**	31,629
	540,472	648,318

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:

	2015 US $ '000	2014 US $ '000
Current service cost	**46,659**	45,466
Interest cost on benefit obligation	**51,810**	67,836
Interest income on plan assets	**(37,421)**	(48,604)
Past service cost	**234**	-
Others	**(6,160)**	6,569
Net defined benefit expense	**55,122**	71,267

30 EMPLOYEES' BENEFIT LIABILITIES continued

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

	2015 *US $ '000*	*2014* *US $ '000*
Defined benefit obligations	**(1,549,535)**	(1,848,151)
Fair value of plan assets	**1,067,849**	1,203,896
	(481,686)	(644,255)
Unrecognized past service costs	**-**	922
Benefit liabilities	**(481,686)**	(643,333)

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

	2015 *US $ '000*	*2014* *US $ '000*
Benefit obligations at beginning of year	**(1,848,151)**	(1,669,110)
Current service costs	**(46,659)**	(45,466)
Current interest costs	**(51,810)**	(67,836)
Contributions by employees	**(4,554)**	(4,806)
Past service costs	**(234)**	-
Actuarial (losses) gains on obligation due to:		
Changes in demographic assumptions	**(31,158)**	(12,878)
Changes in financial assumptions	**47,779**	(253,012)
Experienced gain (losses)	**9,793**	(10,648)
Acquisition of business	**-**	(21,435)
Benefits paid from plan	**98,253**	90,406
Liabilities extinguished on settlements	**55,496**	7,309
Foreign exchange differences	**221,710**	139,325
Benefit obligations at end of the year	**(1,549,535)**	(1,848,151)

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

	2015 *US $ '000*	*2014* *US $ '000*
Fair value of plan assets at beginning of year	**1,203,896**	1,051,060
Interest income on plan assets	**37,421**	48,604
Contributions by employees	**4,554**	4,806
Employer's contributions	**119,480**	143,021
Actuarial gains on obligation due to changes in financial assumptions	**15,961**	69,517
Experienced gains (losses)	**(4,954)**	31,033
Acquisition of business	**-**	10,323
Benefits paid from plan	**(98,253)**	(90,406)
Assets distributed on settlement	**(46,203)**	(2,878)
Foreign exchange differences	**(164,053)**	(61,184)
Fair value of plan assets at end of year	**1,067,849**	1,203,896

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:

	2015 ***US $ '000***	*2014* *US $ '000*
Investments quoted in active markets		
Cash and cash equivalents	**2,722**	13,725
Equity instruments	**18,283**	20,294
Fixed income securities	**30,687**	23,956
Real estate	**6,717**	6,130
Investment funds	**4,872**	5,086
Others	**5,752**	2,370
Unquoted investments		
Cash and cash equivalents	**9,445**	9,380
Equity instruments	**152,181**	266,823
Fixed income securities	**667,134**	709,015
Others	**170,056**	147,117
Fair value of plan assets at end of year	**1,067,849**	1,203,896

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:

	2015 *%*	*2014* *%*
Rate of salary increases	**3.1% - 4.2%**	3.3% - 4.2%
Rate of increase in pensions payments	**0.5% - 1.5%**	0.5% - 1.7%
Discount rate	**2.3% - 4.0 %**	2.0% - 3.9 %

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 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%	**(41,678)**	-1.0%	**39,388**
Rate of increase in pensions payments	+1.0%	**(24,287)**	-1.0%	**22,321**
Discount rate	+0.5%	**99,879**	-0.5%	**(114,094)**

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 2015.

The Group's expected payment contributions to defined benefit obligations within the next 12 months amounts to US $ 70,357 thousand (2014: US $ 137,267 thousand).

The average duration of the defined benefit obligations at 31 December 2015 is 14 years (31 December 2014: 14 years).

31 PROVISIONS

	Decommissioning US $ '000	*Legal disputes US $ '000*	*Others US $ '000*	*Total US $ '000*
At 1 January 2015	166,473	146,012	361,620	674,105
Additions	85,184	23,098	311,163	419,445
Accretion expenses	5,309	5,937	4,316	15,562
Utilised	(4,078)	(31,882)	(48,991)	(84,951)
Reversed	(323)	(14,951)	(32,766)	(48,040)
Exchange adjustments	(20,277)	(13,781)	(33,736)	(67,794)
Balance at 31 December 2015	**232,288**	**114,433**	**561,606**	**908,327**

	2015 US $ '000	*2014 US $ '000*
Classified as:		
Non-current	**719,713**	582,178
Current	**188,614**	91,927
	908,327	674,105

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

(ii) Provision for legal disputes covers the best estimate of the Group exposure to the outcome of several litigations from the area of product liability, patent infringement, tax lawsuits, etc. Refer to note 40 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. During the year, an amount of US $ 124,000 thousand was recognised relating to financial guarantee contract of an associate.

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

32 TRADE AND OTHER PAYABLES

	2015 ***US $ '000***	*2014* *US $ '000*
Trade payables	**3,081,630**	4,357,837
Customer deposits and other amounts due to banking customers	**2,631,173**	2,906,901
Balance due to related parties (note 43)	**356,847**	480,878
Due to banks	**173,492**	163,092
Advances received from customers for contract work	**492,060**	-
Amounts due to customers for contract work (note 33)	**30,310**	-
Amounts due to subcontractors	**598,530**	-
Subcontractor's retentions payable	**155,253**	-
Other payables	**3,866**	3,917
	7,523,161	7,912,625
Non-current	**90,703**	24,044
Current	**7,432,458**	7,888,581
	7,523,161	7,912,625

Included in trade and other payables are amounts totalling US $ 90,157 thousand that are payable to third parties in connection with the Nad Al Sheba racecourse project which is subject to a dispute on a contractual arrangement described in Note 41 .

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

	2015 ***US $ '000***	*2014* *US $ '000*
Amounts due from customers for contract work included in trade and other receivables (note 22)	**746,128**	-
Amounts due to customers for contract work included in trade and other payables (note 32)	**(30,310)**	-
	715,818	-
Contract costs incurred plus recognised profit less recognised losses to date on projects in progress	**7,600,815**	-
Less: progress billings	**(6,884,997)**	-
	715,818	-

34 OTHER LIABILITIES

	2015	*2014*
	US $ '000	*US $ '000*
Accruals	**1,476,349**	987,674
Taxes payable	**500,028**	584,549
Advances and deposits received	**54,449**	31,216
Payable to related parties (note 43)	**92,766**	392,292
Payable on assets acquisition	**641**	10,001
Deferred income (note 42)	**266,766**	279,751
Other payables	**105,823**	120,160
Other liabilities	**257,507**	236,043
	2,754,329	2,641,686
Classified as:		
Non- current	**350,510**	427,355
Current	**2,403,819**	2,214,331
	2,754,329	2,641,686

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.

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 2015 US $'000	***Liabilities 2015 US $'000***	*Assets 2014 US $'000*	*Liabilities 2014 US $'000*
Derivatives held-for-trading				
Interest rate swaps	**56,507**	**62,912**	11,407	3,850
Currency forwards	**79,185**	**43,990**	8,206	470
Currency futures	-	-	28,075	12,475
Currency options	**709**	**34,699**	68	2,663
Equity options and collars (note 11 (iii))	**96,506**	**3,670**	346,701	228,339
Commodity swaps	**15,415**	**11,946**	52,190	56,278
Commodity futures	**3,972**	**6,961**	29,550	30,705
	252,294	**164,178**	476,197	334,780
Derivatives used as hedge of net investments				
Currency forwards	**100**	**32,701**	-	4,487
Derivatives used as fair value hedges				
Commodity swaps	-	-	898	-
Derivatives used as cash flow hedges				
Interest rate swaps	**-**	**11,551**	-	4,509
Currency forwards	**3,973**	**2,967**	-	29,029
Commodity swaps	**37,284**	**36,424**	92,745	95,760
Other swap arrangements	**5,548**	**55,917**	4,754	56,910
	46,805	**106,859**	97,499	186,208
	299,199	**303,738**	574,594	525,475
Non-current	**153,277**	**89,854**	103,272	19,491
Current	**145,922**	**213,884**	471,322	505,984
	299,199	**303,738**	574,594	525,475

As at 31 December 2014, the Group had derivative financial liabilities related to equity options and collars on the Daimler AG shares. These were settled during 2015. See note 11 (iii).

As at 31 December 2015 and 2014, the Group has derivative financial assets and liabilities related to collars and equity options on the UniCredit SpA shares. The funded collar transaction includes call and put options that restrict the gains and losses on the UniCredit SpA shares within a range. Approximately 25% (2014: 25%) of the total holding in Unicredit SpA are subject to collar arrangement. The equity options represent the derivative embedded in its exchangeable bonds that were issued in March 2015 (note 29). It is an embedded call option with a fixed strike price of EUR 8.8642 (subject to adjustment) to exchange the bond for either UniCredit SpA shares, or cash of an equivalent value at the discretion of the issuer. The exchange rights can be exercised in the last 6 months of their maturities.

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*
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)**
2014						
Cash outflow						
Trading derivatives and economic hedges	(516,370)	(38,653)	(4,529)	-	-	(559,552)
Derivatives for cash flow hedges	(168,773)	(648,927)	(121,846)	(28,578)	(42,286)	(1,010,410)
Derivatives for fair value hedges	-	-	(1,983)	(2,504)	-	(4,487)
	(685,143)	(687,580)	(128,358)	(31,082)	(42,286)	(1,574,449)
Cash inflow						
Trading derivatives and economic hedges	546,742	51,568	91,156	-	11,407	700,873
Derivatives for cash flow hedges	162,023	580,708	108,257	28,184	42,374	921,546
Derivatives for fair value hedges	898	-	-	-	-	898
	709,663	632,276	199,413	28,184	53,781	1,623,317
	24,520	(55,304)	71,055	(2,898)	11,495	48,868

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*	
	2015	*2014*	***2015***	*2014*
	US $ '000	*US $ '000*	***US $ '000***	*US $ '000*
Financial assets				
Derivative financial assets	**299,199**	574,594	**299,199**	574,594
Portfolio investments				
Held to maturity investments	**14,292**	23,207	**14,292**	23,207
Investments at fair value through profit or loss				
Held for trading	**451,501**	390,230	**451,501**	390,230
Designated on initial recognition	**1,752,234**	1,980,037	**1,752,234**	1,980,037
Available-for-sale investments				
(including investment carried at cost)	**2,321,331**	3,185,458	**2,321,331**	3,185,458
Trade receivables	**5,842,711**	5,704,945	**5,842,711**	5,704,945
Other assets	**8,450,592**	5,076,885	**8,450,592**	5,121,687
Cash and short-term deposits	**5,355,927**	5,303,258	**5,355,927**	5,303,258
	24,487,787	22,238,614	**24,487,787**	22,283,416
Financial liabilities				
Trade payables	**7,523,161**	7,912,625	**7,523,161**	7,912,625
Borrowings	**27,577,182**	29,949,563	**29,098,697**	32,063,855
Derivative financial liabilities	**303,738**	525,475	**303,738**	525,475
Other financial liabilities	**2,754,329**	2,641,686	**2,754,329**	2,641,686
	38,158,410	41,029,349	**39,679,925**	43,143,641

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 2015, 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 2015.

- 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 2015, 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 2015 and 2014.

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**	**-**	**5,548**	**56,507**
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**	**-**	**-**
Assets for which fair values are disclosed:				
Investment properties	**2,832,029**	**-**	**-**	**2,832,029**
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**	**-**	**55,917**	**62,912**
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**	**1,584,299**	**12,228,218**
Others	**4,362**	**-**	**430**	**3,932**

36 FAIR VALUE MEASUREMENT continued

Fair value hierarchy continued
Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2014:

	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	36,349	-	36,349	-
Equity	346,701	-	346,701	-
Commodity	175,383	-	175,383	-
Others	16,161	-	4,754	11,407
Portfolio investments				
Investments at fair value through profit or loss				
Held for trading	390,230	376,530	13,700	-
Designated on initial recognition	1,980,037	1,933,761	16,606	29,670
Available-for-sale investments				
Quoted equity shares	2,675,742	2,675,742	-	-
Unquoted equity shares	380,476	-	13,149	367,327
Quoted debt securities	91,798	32,850	58,948	-
Assets for which fair values are disclosed:				
Investment properties	2,587,289	-	-	2,587,289
Investments in listed associates	4,640,521	4,640,521	-	-
Liabilities measured at fair value				
Derivative financial liabilities				
Interest rate	8,359	-	8,359	-
Currency	49,124	-	49,124	-
Equity	228,339	-	228,339	-
Commodity	182,743	-	182,743	-
Others	56,910	-	56,910	-
Liabilities for which fair values are disclosed:				
Borrowings				
Listed notes and other borrowing instruments	17,592,716	15,538,711	2,054,005	-
Unlisted borrowings	14,469,699	12,337	7,110,018	7,347,344
Others	1,440	-	1,411	29

36 FAIR VALUE MEASUREMENT continued

Reconciliation of fair value measurements of Level 3 financial instruments

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 2015						
Derivative financial instruments						
Others	**11,407**	**-**	**-**	**(17,812)**	**-**	**(6,405)**
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**
	408,404	**5,648**	**(190,350)**	**(19,024)**	**(17,635)**	**187,043**
31 December 2014						
Derivative financial instruments						
Equity	528,375	-	(528,375)	-	-	-
Others	(55,258)	-	-	66,665	-	11,407
Portfolio investments						
Investments at FVTPL						
Designated on initial recognition	31,210	5,132	-	(6,672)	-	29,670
Available-for-sale investments						
Unquoted equity shares	266,727	223,303	-	(100,033)	(22,670)	367,327
	771,054	228,435	(528,375)	(40,040)	(22,670)	408,404

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 2015 and 2014.

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 2015.

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 $ 58,635 thousand (2014: US $ 54,222 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*
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)**
2014			
CHF	+50 bp	(20)	-
EUR	+50 bp	6,986	(305,085)
JPY	+50 bp	(23)	(10)
CAD	+50 bp	(3,980)	(381)
GBP	+50 bp	(13,626)	404
Others	+50 bp	4,287	116,778
		(6,376)	(188,294)

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:

	Change	2015 Effect on profit before tax US $ '000	2015 Effect on equity US $ '000	2014 Effect on profit before tax US $ '000	2014 Effect on equity US $ '000
Crude oil	**+10%**	**35,533**	**-**	53,154	-
Natural gas	**+10%**	**-**	**1,659**	-	2,512
Electricity	**+10%**	**-**	**18,708**	-	32,916
Propylene	**+10%**	**10,977**	**-**	24,478	-
Polyethelene	**+10%**	**173,624**	**-**	204,204	-
Other petrochemical feedstock*	**+10%**	**47,946**	**(1,845)**	59,853	(965)

*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:

	Change	2015 Effect on profit before tax US $ '000	2015 Effect on equity US $ '000	2014 Effect on profit before tax US $ '000	2014 Effect on equity US $ '000
Europe	**+10%**	**135,940**	**77,198**	188,424	109,770
Middle East (excluding UAE)	**+10%**	**-**	**15,000**	-	15,000
North America	**+10%**	**599**	**-**	-	-
Asia and Pacific	**+10%**	**-**	**121,447**	4	154,009
Africa	**+10%**	**-**	**7,771**	-	9,129

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

	2015		*2014*	
	Carrying value US $ '000	***Maximum credit exposure US $ '000***	*Carrying value US $ '000*	*Maximum credit exposure US $ '000*
On balance sheet				
Derivative financial assets	**299,199**	**299,199**	574,594	574,594
Held to maturity investments	**14,292**	**14,292**	23,207	23,207
Trade and other receivables (note (i))	**5,842,711**	**6,944,693**	5,704,945	7,590,337
Other assets	**8,450,592**	**9,888,742**	5,076,885	5,076,885
Cash and short-term deposits	**5,355,927**	**5,355,927**	5,303,258	5,303,258
	19,962,721	**22,502,853**	16,682,889	18,568,281

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*
2015						
Derivative financial instruments	**56,507**	**60,505**	**-**	**58,859**	**123,328**	**299,199**
Trade receivables	**1,609,910**	**1,203,695**	**140,369**	**1,653,066**	**1,235,671**	**5,842,711**
Other assets	**1,889,565**	**273,213**	**39,043**	**653,916**	**5,594,855**	**8,450,592**
Cash and short-term deposits	**970,563**	**497,379**	**11,032**	**506,903**	**3,370,050**	**5,355,927**
	4,526,545	**2,034,792**	**190,444**	**2,872,744**	**10,323,904**	**19,948,429**
2014						
Derivative financial instruments	11,407	148,994	-	9,215	404,978	574,594
Trade receivables	123,701	1,346,931	174,071	2,948,799	1,111,443	5,704,945
Other assets	1,222,115	327,298	30,158	1,012,880	2,484,434	5,076,885
Cash and short-term deposits	1,343,242	11,763	336	549,023	3,398,894	5,303,258
	2,700,465	1,834,986	204,565	4,519,917	7,399,749	16,659,682

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*
2015							
Derivative financial instruments	**59,101**	**61,389**	**119,828**	**58,881**	**-**	**-**	**299,199**
Trade 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**	**655,178**	**119,451**	**8,450,592**
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**	**675,625**	**2,261,655**	**19,948,429**
2014							
Derivative financial instruments	38,857	148,994	121,174	265,569	-	-	574,594
Trade receivables	2,746,759	1,203,112	1,755,074	-	-	-	5,704,945
Other assets	1,467,343	544,206	27,559	1,796,993	1,240,784	-	5,076,885
Cash and short-term deposits	1,672,798	814,913	1,727,895	1,075,883	11,769	-	5,303,258
	5,925,757	2,711,225	3,631,702	3,138,445	1,252,553	-	16,659,682

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 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	**8,359,604**	**90,988**	**-**	**8,450,592**
Cash and short-term deposits	**5,036,941**	**311,902**	**7,084**	**5,355,927**
	18,373,527	**1,181,337**	**407,857**	**19,962,721**
31 December 2014				
Derivative financial assets	563,186	-	11,408	574,594
Held to maturity investments	23,207	-	-	23,207
Trade and other receivables	3,263,508	1,966,141	475,296	5,704,945
Other assets	4,831,704	78,102	167,079	5,076,885
Cash and short-term deposits	5,086,860	216,398	-	5,303,258
	13,768,465	2,260,641	653,783	16,682,889

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 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	**7,241,320**	**33,092**	**21,144**	**1,145,520**	**9,516**	**8,450,592**
Cash and short-term deposits	**5,355,927**	**-**	**-**	**-**	**-**	**5,355,927**
	18,191,848	**211,099**	**119,491**	**1,213,590**	**226,693**	**19,962,721**
31 December 2014						
Derivative financial assets	574,594	-	-	-	-	574,594
Held to maturity investments	23,207	-	-	-	-	23,207
Trade and other receivables	4,781,423	209,818	164,321	467,819	81,564	5,704,945
Other assets	5,032,457	4,058	2,337	7,153	30,880	5,076,885
Cash and short-term deposits	5,303,258	-	-	-	-	5,303,258
	15,714,939	213,876	166,658	474,972	112,444	16,682,889

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

Movements in allowance for impairment are as follows:

	Opening US $ '000	Additions/ acquired US $ '000	Interest US $ '000	Written-off US $ '000	Recoveries US $ '000	Exchange difference US $ '000	Total US $ '000
On balance sheet							
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**
2014							
Trade and other receivables	278,672	160	2,636	1,142	(24,408)	(31,941)	226,261
Other assets	77,730	32,310	-	(841)	(33,467)	(8,111)	67,621
	356,402	32,470	2,636	301	(57,875)	(40,052)	293,882

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 derivatives financial instruments are disclosed in note 35. In the table below, interest rates on variable rate loans have been based on rates prevailing at the reporting dates.

Undiscounted contractual basis	***On demand US $ '000***	***0 - 3 months US $ '000***	***3 - 12 months US $ '000***	***1 - 3 years US $ '000***	***3 - 5 years US $ '000***	***>5 years US $ '000***	***Total US $ '000***
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**	**2683**	**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**
2014							
Other liabilities	391,968	968,577	652,652	26,884	3,372	72,790	2,116,243
Trade and other payables	741,136	4,096,345	47,197	838	968	2,100	4,888,584
Borrowings	25,059	2,583,788	4,381,770	10,200,994	6,252,798	11,984,972	35,429,381
Customer deposits and other amounts due to banking customers	2,636,687	125,169	145,046	-	-	-	2,906,902
Due to banks	120,631	22,324	-	20,137	-	-	163,092
	3,915,481	7,796,203	5,226,665	10,248,853	6,257,138	12,059,862	45,504,202

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 2015 and 2014.

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.

	2015	*2014*
	US $ '000	*US $ '000*
Interest bearing loans and borrowings (note 29)	**27,577,182**	29,949,563
Less cash and short term deposits (note 25)	**(5,355,927)**	(5,303,258)
Net debt	**22,221,255**	24,646,305
Total equity	**13,018,549**	16,250,465
Equity and net debt	**35,239,804**	40,896,770
Gearing ratio	**63%**	60%

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

39 ASSETS UNDER MANAGEMENT

	2015	*2014*
	US $ '000	*US $ '000*
Real estate (including mutual funds)	**457,171**	524,551
Cash and cash equivalents	**2,341,394**	3,095,763
Fixed income instruments (bonds, loans and mutual funds)	**1,652,252**	1,828,570
Equities (stocks and mutual funds)	**10,170,090**	10,326,468
Assets under management and custody by the Group	**14,620,907**	15,775,352
Assets not in the custody of the Group	**1,811,767**	2,047,780
	16,432,674	17,823,132

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 $1,812 million (31 December 2014: US $ 1,938 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 4.25% (2014: 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

	2015	*2014*
	US $ '000	*US $ '000*
Guarantees		
1MDB financial guarantee (see note 42)	**-**	5,143,600
Performance and bid bonds	**2,923,549**	1,877,930
Advance payment bonds	**558,425**	-
Letters of credit	**180,334**	130,779
Retention bonds	**88,425**	-
Others	**63,940**	28,260
	3,814,673	7,180,569
Operating lease commitments		
Up to 1 year	**370,550**	374,253
1 to 5 years	**869,252**	667,048
Beyond 5 years	**726,888**	424,753
	1,966,690	1,466,054
Capital commitments		
Property, plant and equipment	**1,452,341**	1,743,506
Investment properties	**745,666**	795,287
Investments in equity instruments	**55,039**	257,395
Intangible assets	**4,406**	6,093
	2,257,452	2,802,281
Fiduciary assets	**157,184**	672,096

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 year-end. 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 have 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 June 18, 2010. Dow Chemical was awarded certain amounts for damages and pre-judgment interest. In 2012, after unsuccessful appeals, NOVA paid Dow Chemical approximately US $ 77 million. A Supplemental Damages Bench Trial was held on April 30, 2013 and May 1, 2013 to determine any additional damages that should be awarded to Dow Chemical based on sales of certain grades of NOVA's SURPASS resin in the United States from January 1, 2010 through the expiration of the patents on October 15, 2011. The court issued a decision in March 2014. Approximately $30 million was awarded to Dow Chemical for supplemental damages. 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") on June 3, 2015. On August 28, 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. On September 28, 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 supplemental damages victory.

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. In August 2014, NOVA filed a Notice of Appeal with the Federal Court of Appeal. Oral arguments in the appeal were held on December 7 and 8, 2015 and NOVA expect a decision during the second quarter of 2016. A subsequent trial to determine damages will be held in December 2016 if the judgment is affirmed on appeal. The Dow Chemical Canadian patent at issue expired in April 2014.

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 $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 $50 million. A trial commenced in January 2015 and concluded in March 2016. During the trial, NOVA further reduced the amount of its counterclaim.

41 LITIGATION AND CONTINGENCIES continued

Tax contingencies
On 29 December 2014, Borealis Technology Oy ("TOY"), Finland, 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 against the re-assessment decisions concerning the polyolefin and catalyst technologies on 27 February 2015 and 13 November 2015, respectively.

On 30 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 re-assessment decision is also unfounded and has filed a claim against this decision to the Board of Adjustment, on 29 February 2016.

All payment obligations have been suspended pending all above mentioned appeals.

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.

Arabtec contract disputes
Meydan LLC
Aabar's receivable balance from Meydan LLC in connection with the Nad Al Sheba race course project as at 31 December 2015 amounts to US $ 86,318 thousand (AED 317,004 thousand), representing liquidated guarantees, work in progress, retention and other receivables, net of advances.

The corresponding liability amounting to US $ 73,329 thousand (AED 269,300 thousand) was recorded at the 31 December 2008 year end has since been converted into a loan taken from a bank in 2009 on which Arabtec Construction LLC is paying interest, which is being expensed. Subsequent to the year ended 31 December 2015, the Board of Directors of Arabtec resolved to reinitiate arbitration proceedings against Meydan.

Others

- The Group has receivable balance amounting to US $ 64,526 thousand (AED 236,793 thousand) as at 31 December 2015, relating to receivables against construction of towers in Dubai Marina, UAE. As the client disputed the payment of receivables, the Board of Directors of Arabtec resolved to initiate arbitration proceedings against the customer.

- Subsequent to the year-end, the non-controlling shareholder of Arabtec's subsidiary in Qatar issued a letter indicating their non-approval or authorization to issue the financial statements of the subsidiary, on the grounds that they accept no responsibility for the financial position and performance of the subsidiary for the year ended 31 December 2015. Arabtec has obtained legal advice and strongly believes that the non-controlling shareholder is responsible for their share of the company's operations based on the Qatari Commercial Companies Law, and that both shareholder of the entity are jointly liable for the liabilities of the company. Management believes that the outcome of such a dispute would have no impact on the consolidation results of the Group as a whole or on its total equity.

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 $ 3.5 billion which includes:

- US $ 1,750,000,000 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 $ 1,750,000,000 fixed rate 5.99 per cent. notes due 2022 issued by 1MDB Energy Limited and unconditionally and irrevocably guaranteed by 1MDB (1MDB Energy 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 2015, the unamortised deferred income was US $ 240,322 thousand (31 December 2014: US $ 276,022 thousand). In accordance with the requirements of the 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*. In April and May 2016, the Company made total interest payments of US $ 102,726 thousand under the Guarantees (see note 42.5) 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 recorded on balance sheet (note 23).

42.2 Options Agreements

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 Options Agreements") to acquire up to 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 Options Agreements where the Group agreed to assign all of its rights under the Options 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 2014: US $ 481,950 thousand). The amount outstanding is the subject of claims referred to in note 23.

42.3 Binding Term Sheet

On 28 May 2015, IPIC, Aabar, Minister of Finance, Inc., Malaysia ("MOF") and 1Malaysia Development Berhad ("1MDB") entered into a binding term sheet ("BTS") that provides for the following principal matters:

- on 4 June 2015, IPIC provided US $ 1 billion to the 1MDB group for the 1MDB group to utilise immediately to settle certain of its liabilities (the "Cash Payment");

- from 4 June 2015, IPIC assumed the obligations to pay (up to 31 December 2015) all interest due under two IPIC guaranteed 1MDB group financings amounting to US $ 3,500,000 thousand in aggregate principal amount (the "Notes");

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS continued

42.3 Binding Term Sheet continued

- upon the completion of the transfer of assets as described below, IPIC would directly assume liability for all payment obligations under the Notes (the "Assumption of Debt") and would forgive certain financial obligations of the 1MDB Group to the IPIC Group in an amount of US $ 481,950 thousand (the "Debt Forgiveness");

- from the date of the BTS, IPIC, Aabar and 1MDB agreed to waive and release all past arrangements between each of them and each of their respective subsidiaries, excluding those matters the subject of the Debt Forgiveness and the BTS;

- by 30 June 2016, IPIC should receive a transfer of assets with an aggregate value of an amount which represents the sum of the Cash Payment, the Assumption of Debt and the Debt Forgiveness;

- 1MDB and MOF agreed that if they had not (i) performed certain obligations under the BTS to transfer certain assets by 31 December 2015; or (ii) completed all of their obligations to transfer assets by 30 June 2016, they would each indemnify IPIC from such date on in relation to any obligations of IPIC under the guarantees it has entered into in respect of the Notes.

1MDB and MOF agreed to perform the obligations contemplated in the BTS and to indemnify IPIC and Aabar for any non-performance, and vice versa.

IPIC met the Cash Payment under the Notes from existing liquidity available to IPIC. On 16 October 2015 and 10 November 2015, IPIC paid interest amounting to US $ 50,312 thousand and US $ 52,413 thousand respectively due under the Notes.

42.4 1MDB and MOF defaults on Binding Term Sheet

On 18 April 2016, IPIC 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, including the obligation to pay to IPIC by way of transfer of assets an amount of US $ 1,102,725 thousand plus interest accruing under the terms of the BTS, amounting to US $ 12,028 thousand which was due by 31 December 2015, or alternatively, a payment in cash which was due during January 2016.

As a result, 1MDB and MOF are in default pursuant to the terms of the BTS and IPIC's and Aabar's obligations under the BST have terminated effective 31 December 2015.

1MDB and MOF continue to be bound by their respective obligations under the terms of the BTS, including their continued indemnification of IPIC and Aabar for any non-performance under the BTS and in relation to any claims which may be made against IPIC pursuant to the guarantees entered into by IPIC in respect of the Notes.

Following such default, IPIC and Aabar have engaged with, and extended opportunities to, both 1MDB and MOF to remedy their defaults without success. IPIC and Aabar have made written demands under the Binding Term Sheet and have reserved all of their rights under the BTS and referred the matter to the appropriate dispute resolution forum (see note 42.7).

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS continued

42.5 1MDB defaults on the Notes and IPIC pays down interests under its Guarantees

On 18 April 2016 (and including during the remedy period), 1MDB and 1MDB Energy (Langat) Limited failed to make an interest payment of US $ 50,313 thousand due under the 1MDB Energy (Langat) Notes. Accordingly a 1MDB Default occurred under the 1MDB Energy Notes.

On 11 May 2016 (and including during the remedy period), 1MDB and 1MDB Energy Limited failed to make an interest payment of US $ 52,413 thousand due under the 1MDB Energy Notes. Accordingly a 1MDB Default occurred under the 1MDB Energy Notes.

IPIC's guarantees of the Notes (the Guarantees) provide that IPIC's payment obligations in respect of the Notes are subject to certain conditions, including the occurrence of a 1MDB Event. 1MDB Events, in turn, include a default by 1MDB for more than five business days in the payment on the due date of interest or principal payable in respect of the Notes (1MDB Default). The Guarantees also prescribe the number of days following such 1MDB Default within which IPIC must fulfil its payment obligations in respect of the Notes. A 1MDB Default does not cross-default IPIC.

On 25 April 2016 and 12 May 2016, IPIC made full payment of the interest due, amounting to US $ 50,313 thousand and US $ 52,413 thousand respectively, and payable by 1MDB and its subsidiaries under the Notes. IPIC has made such payments out of exiting liquidity and pursuant to its obligations in respect of the Guarantees.

1MDB and MOF are in default pursuant to the terms of the BTS and IPIC's and Aabar's obligations under the BTS have terminated effective 31 December 2015. After that date, any payment in respect of the Notes was made by IPIC in respect of its obligations under the Guarantees and not in any capacity under the terms of the BTS.

IPIC notes that it is entitled to the benefit of indemnities from 1MDB and MOF in respect of all amounts that it may be required to pay in respect of the Notes and the Guarantees under the terms of the BTS and these indemnities survive the termination of the BTS.

42.6 Aabar BVI, alleged payments and alleged guarantees

On 11 April 2016, IPIC made an RNS announcement through London Stock Exchange in relation to certain media reports concerning the activities of 1MDB. In particular, such reports commented that substantial payments of approximately US $ 3.5 billion have been made by entities within the 1MDB group to an entity called “Aabar Investments PJS Limited” ("Aabar BVI"), which IPIC and Aabar understand, from publicly available records, to be a company incorporated in the British Virgin Islands and which was wound up and dissolved in June 2015.

Both IPIC and Aabar confirm that Aabar BVI was not an entity within either corporate group. Further, both IPIC and Aabar confirm that neither has received any payments from Aabar BVI nor has IPIC or Aabar assumed any liabilities on behalf of Aabar BVI. Accordingly these consolidated financial statements of the Group do not include any balances, transactions or other disclosures relating to Aabar BVI. The Group understands that other companies outside the group’s corporate structure were incorporated in other offshore jurisdictions using variations of the “Aabar” name. The Group is investigating these entities further.

Further, 1MDB has intimated the existence of guarantees of approximately US $ 940 million provided by Aabar in respect of fund units in a Cayman registered fund, owned by 1MDB subsidiary Brazen Sky and further guarantees from Aabar BVI of fund investments held with various third party fund managers in the amount of approximately US $ 1.5 billion. Both IPIC and Aabar confirm there is no record of any such guarantees being provided by Aabar and as such no disclosure of financial guarantees needs to be made in these consolidated financial statements and further confirm that neither IPIC nor Aabar has received any payments, assets or fund units from Brazen Sky.

42 1MALAYSIA DEVELOPMENT BERHAD (1MDB) TRANSACTIONS continued

42.7 IPIC Submits a Request for Arbitration

On 14 June 2016, IPIC and Aabar have submitted a Request for Arbitration (RFA) to the London Court of International Arbitration ("LCIA"). The RFA concerns the failure by 1MDB and MOF to perform their contractual obligations under the BTS as described in note 42.4 above. The failure of 1MDB and MOF to perform their obligations, cure their defaults or put forward acceptable proposals has left IPIC in the position where it must pursue its claims in arbitration. The total amount claimed by IPIC and Aabar is approximately US $ 6.5 billion. The claim will be determined by an arbitral tribunal that will comprise of three arbitrators in accordance with the BTS and the LCIA Rules.

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 as follows:

	2015	*2014*
	US $ '000	*US $ '000*
Short-term benefits	**6,202**	6,035
Board of directors' remuneration	**1,144**	1,144
	7,346	7,179

43 RELATED PARTY TRANSACTIONS AND BALANCES continued

	Goods and services						Financing	
Business relationship	*Purchases from US $ '000*	*Sales to US $ '000*	*Receivables from US $ '000*	*Payables to US $ '000*	*Others payables US $ '000*	*Other assets* US $ '000*	*Interest received US $ '000*	*Interest paid US $ '000*
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**
Others	**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**

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*
2014								
Associates	2,924,900	1,496,434	190,514	404,768	272,245	559,335	28,284	182
Joint ventures	690,668	1,123,714	89,643	48,713	28,538	292,037	21,300	374
Others	24	112	1,417	27,397	7,260	54,824	3	-
Entities under common management of key management personnel of the Company	38,469	-	-	-	84,249	1,370,651	119,635	-
	3,654,061	2,620,260	281,574	480,878	392,292	2,276,847	169,222	556

*Other assets are net of provision for impairment on related parties amounting to US $ 28,727 thousand (2014: US $ 40,987 thousand).

Other transactions

As further detailed in note 15, the Company has sold ADCOP pipeline to ADNOC, an entity owned by the Government of Abu Dhabi, resulting to in a gain of US $ 1.4 billion recognised in the income statement. Further an amount of US $ 400 million (31 December 2014: nil) is receivable against the transfer of ADCOP to ADNOC.

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 2015, the Group has not recorded any impairment of receivables relating to amounts owed by related parties except for an amount of US $ 12 million on loan provided to an associate (2014: US $ 41 million). 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.

	2015				*2014*			
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	**575,932**	**1,521,909**	**7,451**	**31,336**	936,964	860,225	6,419	29,405

44 EVENTS AFTER THE REPORTING DATE

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

(ii) 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, see note 29).
- EUR 90,000 thousand 3 year senior unsecured term loan.
- GBP 338,064 thousand 3 year senior secured term loan (Aabar – Loan 23, see note 29).
- EUR 675,000 thousand 5 year senior unsecured term loan (Aabar – Loan 26, see note 29).
- USD 1,000,000 thousand 5 year senior unsecured term loan (Aabar – Loans 19-21, see note 29).

(iii) On 14 April 2016, RHB completed its internal reorganisation which, amongst other matters, entailed the transfer by RHB of its entire equity interests in and certain assets and liabilities of its subsidiaries to its wholly-owned subsidiary, RHB Bank Berhard. Further steps include the distribution of the equity interest in RHB Bank Berhard to the shareholders of RHB in proportion of their existing shareholdings. RHB Bank Berhard will assume the listing status of RHB subject to approval of its shareholders at an extraordinary shareholders meeting. At present, an estimate of the financial effect of this subsequent event cannot be estimated.

(iv) On 29 April 2016 and 11 May 2016, IPIC paid interests amounting to US $ 50,313 thousand and US $ 52,413 thousand respectively due under the Notes (see note 42).

(v) On 16 May 2016, the Company repaid at maturity the 4.875% EUR 1,250,000 thousand notes, due May 2016 under its Global Medium Term Note Programme.

(vi) In June 2016, Borealis has signed an agreement to fully acquire mtm plastics GmbH and mtm compact GmbH. Based in Niedergebra, Germany, mtm plastics GmbH is a technology leader in the recycling of mixed post-consumer plastic waste and one of Europe's largest producer of post-consumer polyolefin recyclates. The transaction is subject to regulatory approvals.

(vii) On 27 June 2016, IPIC entered into a three year EUR 800M Bilateral Revolving Credit Facility with an interest rate at a margin over Euribor.