Investment Corporation of Dubai
and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Investment Corporation of Dubai ("ICD") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for 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 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Signed by:
Anthony O' Sullivan
Partner
Registration No. 687

3 June 2015

Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Notes	**2014 AED'000**	2013 AED'000
Continuing operations			
Revenues	40	**198,364,067**	178,262,800
Cost of revenues		**(162,225,358)**	(145,651,253)
		36,138,709	32,611,547
Other income	3	**9,461,189**	5,169,751
Net gain from derivative instruments	9	**544,913**	48,345
General, administrative and other expenses		**(19,022,894)**	(15,889,389)
Net impairment losses on financial assets and equity accounted investees	4	**(6,204,900)**	(4,984,691)
Other finance income	5	**820,925**	764,400
Other finance costs	6	**(3,719,282)**	(3,520,715)
Share of results of associates and joint ventures - net	15	**4,656,750**	2,497,841
PROFIT FOR THE YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**22,675,410**	16,697,089
Income tax expense - net	7	**(74,418)**	(895,563)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**22,600,992**	15,801,526
Discontinued operations			
Profit for the year from discontinued operations	23	**5,865,852**	1,790,945
PROFIT FOR THE YEAR	8	**28,466,844**	17,592,471
Attributable to:			
The equity holder of ICD		**23,785,204**	14,591,403
Non-controlling interests		**4,681,640**	3,001,068
		28,466,844	17,592,471

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	*2014* *AED'000*	*2013* *AED'000*
PROFIT FOR THE YEAR		**28,466,844**	17,592,471
Other comprehensive income			
Other comprehensive income that are / to be reclassified to income statement in subsequent periods:			
Net movement in fair value of available-for-sale investments		**962,641**	2,192,743
Net movement in fair value of cash flow hedges		**226,140**	503,106
Cash flow hedge reserves relating to discontinued operations reclassified to income statement	23	**(2,378,077)**	-
Foreign currency translation differences (net)		**(301,060)**	(45,789)
Group's share in other comprehensive income of equity accounted investees		**(1,043,299)**	272,072
Net other comprehensive income that are / to be reclassified to income statement in subsequent periods		**(2,533,655)**	2,922,132
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Actuarial loss on defined benefit plans	27	**(187,114)**	(315,858)
Other comprehensive income for the year		**(2,720,769)**	2,606,274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,746,075**	20,198,745
Attributable to:			
The equity holder of ICD		**21,103,933**	17,014,631
Non-controlling interests		**4,642,142**	3,184,114
		25,746,075	20,198,745

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	Notes	***2014 AED'000***	*2013 AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**125,266,550**	101,597,567
Intangible assets	12	**27,358,858**	27,512,290
Investment properties	13	**8,001,250**	7,398,980
Development properties	14	**491,864**	476,014
Investments in associates and joint ventures	15	**38,022,686**	31,333,268
Investments in marketable securities	16	**29,125,832**	21,255,750
Other non-current assets	17	**21,881,541**	14,937,763
Islamic financing and investment products	20	**26,715,715**	22,793,942
Loans and receivables	21	**87,123,209**	71,590,011
Cash and deposits with banks	22	**2,615,477**	3,563,511
Positive fair value of derivatives	29	**914,802**	1,072,383
Deferred tax assets	7	**189,057**	130,703
		367,706,841	303,662,182
Current assets			
Investments in marketable securities	16	**3,522,022**	4,353,870
Inventories	18	**9,676,657**	10,598,510
Trade and other receivables	19	**32,004,877**	30,661,265
Islamic financing and investment products	20	**15,233,070**	13,620,933
Loans and receivables	21	**120,768,702**	127,935,571
Cash and deposits with banks	22	**118,358,116**	90,000,638
Positive fair value of derivatives	29	**1,148,515**	878,237
Customer acceptances		**3,859,864**	4,986,419
		304,571,823	283,035,443
Assets of disposal group classified as held for sale	23	**-**	21,625,423
		304,571,823	304,660,866
TOTAL ASSETS		**672,278,664**	608,323,048

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2014

	Notes	*2014* *AED'000*	*2013* *AED'000*
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	24	**64,582,949**	64,534,449
Retained earnings		**71,266,173**	50,214,166
Other reserves	26	**16,132,992**	15,604,942
Reserves of disposal group classified as held for sale	23 & 26	**-**	2,378,077
		151,982,114	132,731,634
Non-controlling interests	35	**38,043,933**	29,291,829
Total equity		**190,026,047**	162,023,463
Non-current liabilities			
Employees' end of service benefits	27	**2,318,334**	1,857,079
Borrowings and lease liabilities	28	**112,960,386**	98,245,608
Negative fair value of derivatives	29	**1,563,794**	1,612,445
Other non-current payables	30	**5,668,334**	4,979,738
Customer deposits	32	**6,671,593**	6,648,250
Islamic customer deposits	33	**13,335,455**	11,209,566
Deferred tax liabilities	7	**1,067,624**	1,100,157
		143,585,520	125,652,843
Current liabilities			
Employees' end of service benefits	27	**4,146**	1,223
Borrowings and lease liabilities	28	**50,507,803**	49,718,323
Negative fair value of derivatives	29	**757,308**	670,208
Trade and other payables	31	**70,867,692**	65,609,798
Customer deposits	32	**179,038,091**	167,382,683
Islamic customer deposits	33	**32,969,514**	27,283,768
Repurchase agreements with banks	34	**35,369**	67,129
Current income tax liability		**627,310**	1,098,616
Customer acceptances		**3,859,864**	4,986,419
		338,667,097	316,818,167
Liabilities of disposal group classified as held for sale	23	**-**	3,828,575
		338,667,097	320,646,742
Total liabilities		**482,252,617**	446,299,585
TOTAL EQUITY AND LIABILITIES		**672,278,664**	608,323,048

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Director

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Director

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2014

	Notes	***2014*** ***AED'000***	*2013* *AED'000*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**22,675,410**	16,697,089
Profit before tax from discontinued operations		**5,865,852**	1,793,198
		28,541,262	18,490,287
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	8	**11,137,242**	9,752,911
Reversal of impairment loss on non-financial assets	3	**(112,917)**	(3,000)
Impairment allowance on loans and receivables - net	4	**3,287,371**	3,114,744
Impairment allowance on Islamic financing and investment products - net	4	**1,377,781**	1,287,475
Amortisation and impairment of intangible assets and advance lease rental	8	**1,091,771**	854,585
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	3	**(508,805)**	(16,498)
Net change in fair value of investments carried at fair value through profit or loss	3	**(103,710)**	(106,677)
Impairment loss on available-for-sale investments		**640,758**	455,346
Other finance income		**(820,925)**	(764,400)
Other finance costs		**3,719,282**	3,520,715
Provision for employees' end of service benefits	27	**937,555**	859,973
Impairment loss on investments in associates and joint ventures	4	**406,899**	50,025
Gain on disposal of stake in an indirect associates	3	**(3,033,058)**	(479,211)
Reserves relating to discontinued operations reclassified to income statement		**(2,378,077)**	-
Share of results of associates and joint ventures - net		**(4,656,750)**	(2,526,624)
Gain on disposal of discontinued operations	23	**(3,089,993)**	-
Net gain on sale of marketable securities	3	**(580,659)**	(272,599)
		35,855,027	34,217,052
Working capital changes:			
Inventories		**1,126,294**	760,665
Trade and other receivables		**(1,122,484)**	(4,358,882)
Trade and other payables		**4,175,139**	11,488,230
Loans and receivables		**(11,653,700)**	(23,045,876)
Statutory deposits (banking operations)		**(5,678,064)**	(3,298,168)
Deposits with banks with original maturity over three months (banking operations)		**(3,614,213)**	(1,720,516)
Customer deposits including Islamic customer deposits		**19,490,386**	13,729,457
Fair value of derivatives (net)		**(253,849)**	(578,376)
Islamic financing and investment products with original maturity over three months		**(426,380)**	(5,649,630)
Other non-current assets		**(2,583,448)**	1,253,300
Other non-current payables		**666,821**	545,676
Net cash from operations		**35,981,529**	23,342,932
Employees' end of service benefits paid	27	**(697,338)**	(643,925)
Income tax paid		**(640,021)**	(733,062)
Exchange translation reserve and other movements		**191,422**	(103,742)
Net cash generated from operating activities		**34,835,592**	21,862,203

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

CONSOLIDATED CASH FLOW STATEMENT (continued)
Year ended 31 December 2014

	Notes	***2014 AED'000***	*2013 AED'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(17,510,586)**	(21,357,685)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback of aircraft		**1,247,664**	1,151,700
Acquisition of subsidiaries	10	**(3,623,662)**	(2,028,829)
Other finance income received (non-banking operations)		**820,925**	764,400
Proceeds from disposal of a discontinued operation	23	**7,016,358**	-
Proceeds from dilution of investment / disposal of stake in an indirect associate of the Group		**1,024,112**	449,052
Net of other movement in investment in marketable securities		**712,902**	(384,275)
Investment in associates and joint ventures		**(1,387,237)**	(77,274)
Dividend from associates and joint ventures	15	**3,785,547**	1,163,945
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**(23,451,049)**	(9,068,077)
Net cash used in investing activities		**(31,365,026)**	(29,387,043)
FINANCING ACTIVITIES			
Distribution to the Government	25	**(2,765,429)**	(2,233,182)
Issuance of Tier 1 Capital Notes by a banking subsidiary		**1,828,579**	3,648,497
Interest on Tier 1 Capital Notes issued by a banking subsidiary		**(506,571)**	(123,879)
Net movement in borrowings and lease liabilities		**12,814,679**	10,768,608
Net movement in repurchase agreements with banks		**(31,760)**	(663,744)
Other finance costs paid (non-banking operations)		**(3,719,282)**	(3,520,715)
Directors' fees paid		**(21,133)**	(13,837)
Dividend paid to the non-controlling interests		**(1,218,604)**	(1,084,029)
Net cash from financing activities		**6,380,479**	6,777,719
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,851,045**	(747,121)
Cash and cash equivalents acquired on business combinations	10	**716,037**	3,638,980
Cash and cash equivalents relating to disposal group classified as held for sale		-	(325,288)
Cash and cash equivalents at the beginning of the year		**15,178,896**	12,612,325
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**25,745,978**	15,178,896

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2014

	Attributable to the equity holder of ICD						
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Discontinued operations AED'000*	*Total AED'000*	*Non-controlling interests AED'000 (see note 35)*	*Total equity AED'000*
Balance at 1 January 2014	64,534,449	50,214,166	15,604,942	2,378,077	132,731,634	29,291,829	162,023,463
Profit for the year	-	23,785,204	-	-	23,785,204	4,681,640	28,466,844
Other comprehensive income for the year	-	(187,029)	(2,494,242)	-	(2,681,271)	(39,498)	(2,720,769)
Total comprehensive income for the year	-	23,598,175	(2,494,242)	-	21,103,933	4,642,142	25,746,075
Change in ownership of Tier 1 capital notes	-	-	-	-	-	4,000,000	4,000,000
Tier 1 capital notes issued	-	-	-	-	-	1,828,579	1,828,579
Increase in capital during the year	48,500	-	-	-	48,500	-	48,500
Transfer related to discontinued operations (see note 23)	-	-	2,378,077	(2,378,077)	-	-	-
Distribution paid to the Government (see note 25)	-	(2,765,429)	-	-	(2,765,429)	-	(2,765,429)
Directors' fees in subsidiaries, associates and joint ventures	-	(14,745)	-	-	(14,745)	(6,388)	(21,133)
Dividend paid to the non-controlling interests	-	-	-	-	-	(1,218,604)	(1,218,604)
Interest on Tier 1 capital notes	-	-	-	-	-	(506,571)	(506,571)
Transfers	-	(642,973)	630,539	-	(12,434)	12,434	-
Change in ownership (see note 15 (b))	-	984,842	-	-	984,842	-	984,842
Other movements	-	(107,863)	13,676	-	(94,187)	512	(93,675)
Balance at 31 December 2014	**64,582,949**	**71,266,173**	**16,132,992**	**-**	**151,982,114**	**38,043,933**	**190,026,047**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2014

	Attributable to the equity holder of ICD						
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Discontinued operations AED'000*	*Total AED'000*	*Non-controlling interests AED'000 (see note 35)*	*Total equity AED'000*
Balance at 1 January 2013	64,534,449	38,630,617	14,980,789	-	118,145,855	23,698,292	141,844,147
Profit for the year	-	14,591,403	-	-	14,591,403	3,001,068	17,592,471
Other comprehensive income for the year	-	(316,821)	2,740,049	-	2,423,228	183,046	2,606,274
Total comprehensive income for the year	-	14,274,582	2,740,049	-	17,014,631	3,184,114	20,198,745
Tier 1 capital notes issued	-	-	-	-	-	3,648,497	3,648,497
Reserves relating to discontinued operations (see note 23)	-	-	(2,378,077)	2,378,077	-	-	-
Distribution paid to the Government (see note 25)	-	(2,233,182)	-	-	(2,233,182)	-	(2,233,182)
Directors' fees in subsidiaries, associates and joint ventures	-	(9,401)	-	-	(9,401)	(4,436)	(13,837)
Change in ownership	-	(17,166)	(2,249)	-	(19,415)	19,415	-
Dividend paid to the non-controlling interests	-	-	-	-	-	(1,084,029)	(1,084,029)
Interest on Tier 1 capital notes	-	-	-	-	-	(123,879)	(123,879)
Transfers	-	(298,555)	293,361	-	(5,194)	5,194	-
Other movements	-	(132,729)	(28,931)	-	(161,660)	(51,339)	(212,999)
Balance at 31 December 2013	64,534,449	50,214,166	15,604,942	2,378,077	132,731,634	29,291,829	162,023,463

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

1 ACTIVITIES

Investment Corporation of Dubai ("ICD"), an entity wholly owned by the Government of Dubai (the "Government"), was established in Dubai on 3 May 2006 under Emiree Decree 11 of 2006 issued by H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of United Arab Emirates and The Ruler of Dubai.

ICD is a principal investment arm of the Government and was capitalised with the transfer of certain of the Government's portfolio of investments from the Department of Finance-Investments Division. ICD's role is to supervise the Government's investment portfolio, adding value through the implementation of best practice corporate governance and embracing a global investment strategy.

The address of ICD's registered office is PO Box 333888, Dubai, United Arab Emirates.

2.1 BASIS OF PREPARATION

The consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These consolidated financial statements have been prepared on a historical cost basis, except for the measurement of available-for-sale investments and financial instruments at fair value through profit or loss (including derivative financial instruments) at fair value. The consolidated financial statements are presented in United Arab Emirates Dirhams (AED), which is ICD's functional and presentation currency and all the values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

The Group's consolidated financial statements have been approved by the Board of Directors on 21 May 2015.

Certain comparative figures for the year ended 31 December 2013 have been reclassified to conform with the current year's presentation. There is no impact on profit for the year ended 31 December 2013 or equity as at that date and such reclassifications were done for better presentation of the consolidated financial statements.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. The list of ICD's significant subsidiaries, associates and joint ventures is provided in note 41.

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

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

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's existing 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 off during the year are included in the statement of other comprehensive income ("OCI") from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.2 BASIS OF CONSOLIDATION (continued)

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed off the related assets or liabilities

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous years. The Group has applied, for the first time, certain standards and amendments on their respective effective dates. The nature and the effect of changes to the consolidated financial statements as a result of such application are disclosed below.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the consolidated financial statements of the Group, since ICD does not qualify to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no significant impact on the consolidated financial statements of the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no significant impact on the consolidated financial statements of the Group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the year. These amendments have no significant impact on the consolidated financial statements of the Group.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no significant impact on the consolidated financial statements of the Group.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the consolidated financial statements of the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the consolidated financial statements of the Group, since the Group is an existing IFRS preparer.

2.4 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Standards and Interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these Standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The Group is currently assessing the impact of IFRS 9 on its consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not have any impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2.4 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment would not have any significant impact on the consolidated financial statements of the Group.

Annual improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the consolidated financial statements of Group. These include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

2.4 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Annual improvements 2010-2012 Cycle (continued)

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the consolidated financial statements of Group. These include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has made the following judgments, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as discussed below.

Distinction between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for these portions separately. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Classification of investments in marketable securities
Management decides at the time of initial recognition of an investment whether it should be classified as held-to-maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held-to-maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Group has the intention and ability to hold these to maturity.

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investment securities to maturity. In the event a Group entity fails to keep these investments to maturity other than for the specific circumstances, such as, selling an insignificant amount close to maturity, the respective Group entity is required to reclassify the entire class as available-for-sale and is prohibited from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short-term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss.

All other investment securities are classified as available-for-sale.

Pension and other post employment benefits
The cost of defined benefit pension plans and other post employment medical benefits is determined using a number of ways including actuarial valuations. This process involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases and the assessment of the materiality of the amounts involved. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Fair value of financial instruments
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business reporting date. Where the fair value of the financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques including the use of various valuation models. In some cases, the Group values its unlisted investments on the basis of net assets value of the investee (based on latest available management accounts / financial statements of the investee) or their original cost, as management believes such value to be approximately equal to the fair value of unlisted investments as at the year-end. This involves significant management judgement.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Income taxes
The Group has exposure to income taxes in several jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Frequent flyer programme / customer loyalty programme
Two of the Group's subsidiaries account for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted as a liability (deferred revenue) in the consolidated statement of financial position.

Estimation techniques are used to determine the fair value of mile credits / rewards and reflect the weighted average of a number of factors. A rolling historical trend of the past few months forms the basis of the calculations. Adjustments to the fair value of miles / rewards are also made for miles / rewards not expected to be redeemed by members and the extent to which the demand for an award cannot be met for the dates requested.

A level of judgement is exercised by management due to the diversity of inputs that go into determining the fair value of miles / rewards. It is also difficult to present the sensitivity of a change in the value of one or a set of the inputs given the complexity of the workings.

Development and production assets – depletion
One of the Group's indirect subsidiaries' share of commercial oil reserves is computed in accordance with a Production Sharing Agreement (PSA). In arriving at the carrying value of the Group's development and production assets, in respect of the depletion charge, significant assumptions have been made. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, finalisation of gas price agreement and future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

If the gas sales were delayed to 2019, the depletion charge would increase by AED 22.4 million (USD 6.1 million) for 2014. Should there be a significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2019, it would change the timing of the recognition of the depletion charge. Inclusion of the gas reserves has deferred a current year depletion charge in the amount of AED 317.5 million (USD 86.4 million) over the remaining life of the PSA.

The Group revised its estimated long-term view of oil prices from AED 330.75 (USD 90) per barrel to forward curve for 2014-16 and then AED 330.75 (USD 90) per barrel thereafter, from 1 January 2014 and forward curve for 2015-17 and then USD 85 per barrel thereafter, from 1 August 2014. The Group's estimated long-term view of netback prices for gas was revised from AED 12.86 (USD 3.5) per Mscf to AED 1.84 (USD 0.5) per Mscf, based on the Group's current assessment, from 1 August 2014. The effect of a downward revision in the estimated long-term oil price is to increase the level of reserves attributable to the Group and to decrease the depletion charge per barrel.

If the estimate of the long-term oil price had been AED 147 (USD 40) per barrel higher and the netback price of gas had been AED 7.35 (USD 2) per Mscf higher from 1 January 2014, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of AED 129.36 million (USD 35.2 million) for the year.

If the estimate of the long-term oil price had been AED 147 (USD 40) per barrel lower and the netback price of gas had been AED 0.92 (USD 0.25) per Mscf lower from 1 January 2014, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of AED 370.07 million (USD 100.7 million) for the year.

The depletion computation assumes the continued development of the field to extract the assessed oil and gas reserves and the required underlying capital expenditure to achieve the same. For this purpose, it also assumes that the PSA, which is valid up to 2025, will be extended on similar terms up to 2035 under an exclusive right to negotiate for an extension period of not less than ten years, provided for in the PSA.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on property, plant and equipment
The Group reviews its property, plant and equipment to assess for impairment in their carrying value, if there is an indication of impairment. In determining whether impairment losses should be reported in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

Depreciation of property, plant and equipment
Management determines the useful lives and residual values of property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advancement or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no adjustment was necessary.

Allowances for impairment of loans and receivables, islamic financing and investment products
The Group reviews its loans and receivables portfolio, islamic financing and investment products to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a loan or homogenous group of loans or islamic financing and investment products. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

In addition to specific allowances against individually significant loans and receivables and islamic financing and investment products, the Group also makes a collective impairment allowance to recognise that at any reporting date, there will be an amount of loans and receivables, islamic financing and investment products which are impaired even though a specific trigger point for recognition of the loss has not yet been evidenced (known as the “emergence period’’).

Portfolio impairment provision
Portfolio impairment provision (“PIP”) is expected to cover the inherent risk of losses which, although not specifically identified, are known through experience to be present in the loan portfolio of the banking entities in the Group.

The PIP is set with reference to past experience using a flow rate methodology, as well as taking account of judgmental factors such as the economic environment and trends in portfolio indicators such as flow rates across all delinquency buckets and collections and recovery performance (including residential real estate price trends).

Impairment of available-for-sale investments
The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value of investments below their costs, or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

The Group follows the guidance of IAS 39 to determine when an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Derivatives
The fair value of derivative instruments are obtained from quoted market prices available, from the counterparty bank, discounted cash flow models and valuation models as appropriate. The Group uses widely recognised valuation models for determining the fair value of commodity forward and option contracts and foreign exchange forward contracts. For most of these financial instruments, inputs into models are market observable.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment in the carrying values of non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit ("CGU") and selects a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of intangible assets on acquisition
For each acquisition, the Group assesses the fair value of intangible assets acquired. In instances where individual fair values of assets in a group are not reliably measurable, a single asset separate from goodwill is recognised. Where an active market does not exist for an intangible asset, fair values are established using valuation techniques e.g. discounting future cash flows from the asset. In the process, estimates are made of the future cash flows, the useful life and the discount rate based on the Group's experience and expectation at the time of acquisition.

Amortisation of intangible assets
The Group assigns useful lives and residual values to intangible assets based on the intended use of the assets, the underlying contractual or legal rights and the historical experience. Subsequent changes in circumstances such as technological advancement, changes in the terms of the underlying contracts or prospective utilisation of the assets concerned result in the useful lives or residual values differing from initial estimates. The Group has reviewed the residual values and useful lives of major intangible assets and determined that no adjustment is necessary.

Impairment of investments in associates and joint ventures (equity accounted investments)
At each reporting date, an assessment is made whether there is any objective evidence of impairment in the carrying values of investments in associates and joint ventures. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is determined based on value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted entities. Publicly listed companies often operate under restrictions due to the applicable listing regulations on disclosure of information to a selective group of the equity holders and, therefore for such investments, the Group develops its own estimated cash flows using publicly available data or analysts forecasts, as appropriate.

Percentage-of-completion
The Group uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed and management considers that the survey of work performed is the most appropriate measure of percentage of completion in arriving at the revenue to be recognised for the year.

Classification of lease - the Group as lessor
The Group has entered into aircraft leases and commercial residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and so accounts for the lease contracts as operating leases.

Sale of software license
The recognition of revenues arising from the sale of software licences and provision of professional services under the Group's accounting policies involves the exercise of management judgement in determining whether individual elements in multiple element arrangements may be recognised independently and in determining the fair value to assign to each element, or should the revenue be recognised together. Management reviews the Group's customer contracts, the terms of which can be complex, and exercises judgement in determining whether an arrangement's outcome can be estimated reliably. Management also makes estimates of the total cost of professional services, or in some instances total contract costs, which are used in determining the value of amounts recoverable and any related provisions. Estimates are continually revised based on changes in the facts relating to each arrangement.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for obsolete inventory
The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there are future adverse factors affecting the saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on past movement including future expected consumption or age analysis.

Contingent liability arising from litigations
Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities under common control, business combinations and goodwill
Transactions involving entities under common control where the transaction has substance, and business combinations falling within the scope of IFRS 3 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 elects whether it 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 in the consolidated income statement.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the 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 fair value of 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 off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

For transactions involving entities under common control where transaction does not have any substance, the Group adopts the pooling of interest method. Under the pooling of interest method, the carrying value of assets and liabilities are used to account for these transactions. No goodwill is recognised as a result of the combination. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the equity 'acquired' is reflected within a merger reserve within equity.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities under common control, business combinations and goodwill (continued)

A number of factors are considered in evaluating whether the transaction has substance including the following:

- the purpose of transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transactions are conducted at fair values;
- the existing activities of the entities involved in the transaction; and
- whether or not it is bringing entities together into a "reporting entity" that did not exist before.

Interest in joint ventures

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 Group's investments in joint ventures are accounted for under the equity method of accounting.

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

The consolidated income statement reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of joint ventures, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of other comprehensive income and consolidated statement of changes in equity.

Adjustments to the numbers of the joint ventures are made where necessary to ensure consistency with the policies adopted by the Group.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. When the remaining investment in joint venture constitutes significant influence, it is accounted for as an investment in associate.

Investments in associates

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.

The Group's investments in its associates are accounted for under the equity method of accounting.

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

The consolidated income statement reflects the Group's share of the results of operations of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of other comprehensive income and consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate.

The Group's share of profit of associates is shown on the face of the consolidated income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The financial statements of the Group's associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group. Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement. Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

Special purpose entities
Special purpose entities (SPEs) are entities that are created to accomplish a well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE, or
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and, reassessed at each reporting date.

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax asset and liability are classified as non-current assets and liabilities, respectively.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
The consolidated financial statements are presented in United Arab Emirates Dirhams (rounded off to the nearest thousand, unless where stated otherwise), which is ICD's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are recognised in the consolidated income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in consolidated income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. 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. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is also recognised in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where functional currencies of foreign operations are other than AED, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income statements are translated at average exchange rates for the period. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign entity is recognised in the consolidated income statement.

Property, plant and equipment
Property plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, and accumulated impairment in value if any. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met.

Land is not depreciated and is stated at cost less impairment, if any.

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

Freehold property	*5 - 60 years*
Buildings (including leasehold premises) and leasehold improvements	*1 - 50 years*
Plant, machinery equipment and vehicles	*1 - 50 years*
Fixed plant	*5 - 22 years*
Mobile plant	*2 - 22 years*
Marine vessels	*25 years*
Network, electrical and heavy equipment	*3 -20 years*
Aircraft - used	*5 - 8 years (residual value 10 - 20%)*
Aircraft - new	*15 years (residual value 10%)*
Aircraft held for lease	*Not to exceed 25 years*
Aircraft engines and parts	*5 - 15 years (residual value 0 - 10%)*
Aircraft engines used for rental purposes	*Based on hours flown*

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
When significant parts of items of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred.

Major overhaul expenditure is depreciated over the shorter of the period to the next major overhaul or lease term or useful life of the asset concerned.

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

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Development and production assets
Development and production assets represent the cost of developing commercial reserves and bringing them into production, together with the Exploration and Evaluation ("E&E") expenditures incurred in finding commercial reserves transferred from intangible E&E assets.

The Group's material development and production activities are conducted in accordance with a PSA between one of the Group's indirect subsidiaries and an agency of the relevant government. Capital and operating costs are recovered as part of the cost recovery mechanism provided for in the PSA.

Cost of development and production assets also include licence acquisition costs, development drilling, engineering and construction projects and a proportion of directly attributable administrative and overhead costs.

Depletion of costs capitalised is provided using the unit-of-production method, with reference to the ratio of the production during the period and the commercial reserves of the field taking into account future development expenditures necessary to bring those reserves into production. Changes in estimates affecting the unit-of-production calculations for depletion are accounted for prospectively. Gas reserves are converted into barrels of oil equivalent based on energy conversion rate for the purpose of determining the depletion charges.

At the end of each year, an assessment is made as to whether the economic value of interests is in excess of costs capitalised. Costs capitalised as depletable interests in excess of the estimated value of the Group's discounted future net revenues of its commercial reserves are impaired as additional depletion.

Exploration and evaluation assets
E&E costs are initially capitalised within "Intangible assets'. Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing. Pre-license costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the consolidated income statement as they are incurred.

E&E assets related to each exploration licence/prospect are not amortised and are carried forward until the existence (or otherwise) of commercial reserves has been established or the determination process has not been complete. If commercial reserves has been discovered, the related E&E assets are assessed for impairment and any loss is recognised in the consolidated income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and are amortised as per the Group's depletion policy. No depletion is charged during the exploration and evaluation phase.

Tangible assets acquired for use in E&E activities are classified as property, plant and equipment. The depreciation on such a tangible asset is recorded as part of the cost of E&E assets.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Commercial reserves
Commercial reserves are estimated quantities of proven and probable oil and gas reserves that available data demonstrates, with a specified degree of certainty, to be recoverable in future from known reservoirs that are considered commercially producible. The working interest of the proven and probable commercial reserves are based on a reserves report produced by an independent engineer. Reserves estimates are reviewed by the independent engineer based on significant new data or a material change with a review of the field undertaken generally every year. The Group's entitlement to the proven and probable commercial reserves are derived based on the terms of the PSA and certain assumptions made by the management in respect of estimates of oil and gas reserves, future oil and gas prices, future development costs including the cost of drilling, infrastructure facilities, signing of the gas sales agreement and other capital and operating costs.

Capital work-in-progress
Assets in the course of construction are carried at cost less accumulated impairment losses, if any. Assets that have been commissioned but not transferred to property, plant and equipment are stated at historical cost less accumulated depreciation, and impairment losses if any.

Manufacturers' credits
One of the subsidiaries of the Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. Depending on the nature of such credits, these credits are either recorded as a reduction to the cost of the related aircraft and engines or reduced from ongoing operating expenses. Where the aircraft are held under operating leases, these credits are deferred and reduced from the operating lease rentals on a straight line basis over the period of the related lease as deferred credits.

Aircraft held for lease
Aircraft held for lease are stated at cost less accumulated depreciation and impairment losses, if any. Aircraft held for lease are depreciated using the straight-line method over useful lives not to exceed 25 years from the date of manufacture, to estimated residual values. Residual values do not exceed 15% of cost and management reviews the residual value and useful lives annually. If either of these estimates is adjusted, future depreciation charge would be adjusted in accordance with IAS 16, Property, Plant and Equipment.

Major improvements to be performed by the Group pursuant to the lease agreement are accounted for as lease incentives and are amortised against revenue over the term of the lease, assuming no lease renewals. Lessee specific modifications to the aircraft are capitalised and also amortised against revenue over the term of the lease. Generally, lessees are required to provide for repairs, scheduled maintenance and overhauls during the lease term and to be compliant with return conditions of flight equipment at lease termination.

Major improvements and modifications incurred for an aircraft that is off-lease are capitalised and depreciated over the remaining life of the flight equipment when these increase the future economic benefit of related aircraft. Miscellaneous repairs are expensed when incurred.

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair market value by comparing the contractual lease rates to the range of current lease rates of similar aircraft. A lease premium is recognised when it is determined that the acquired lease's terms are above market value; lease discounts are recognised when it is determined that the acquired lease's terms are below fair market value. Lease discounts are capitalised into other liabilities and amortised as additional rental revenue on straight-line basis over the lease term. Lease premiums are capitalised into other assets and deducted from rental revenue on a straight-line basis over the lease term.
Expenditures incurred to transfer an aircraft from one lessee to another due to either lease termination or bankruptcies are expensed.

Aircraft purchase deposits
Aircraft purchase deposits are included in capital work in progress and they represent the progress payments, including capitalised interest, with various aircraft manufacturers.

Abandonment and decommissioning costs
The PSA provides for a proportion of the proceeds of the Group's oil production to be set aside in an escrow bank account to meet abandonment and decommissioning costs of well, platforms and other facilities. Under the terms of the PSA, all such costs will be met from this escrow fund account.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Crude oil overlifts and underlifts
The crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either exported or held as inventory at the reporting date. Underlifts and overlifts of entitlement to crude oil production are recorded as a receivable and payable, respectively, and are measured at market value with the corresponding entry to revenue or cost of sales respectively, such that gross profit is recognised on entitlement basis.

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

When the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the consolidated income statement over the period of the borrowing using the effective interest method.

Interest / profit is payable on various facilities, bank borrowings and bank loans at normal commercial rates. Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure related to the qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. Borrowing costs relating to the period after acquisition or construction are expensed.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Investment properties
Properties held for rental income or for capital appreciation and/or held for undetermined future use which are not occupied by the Group (properties occupied by the Group are classified under "property, plant and equipment") companies are classified as investment properties. The Group has adopted the cost model for accounting for its investment properties. Accordingly, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Land is not depreciated and is stated at cost less impairment, if any.

Cost is defined either as cost of construction, acquisition cost less accumulated depreciation and / or impairment losses at the date of inclusion. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to day servicing of an investment property.

Depreciation is calculated on the straight line method to write-off the costs of investment properties over their estimated useful lives which is estimated by the management to be 15 - 50 years.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Any amendment to the above is accounted for prospectively.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
For a transfer from investment properties to owner-occupied properties or vice versa, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use.

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

Investment properties are derecognised either when they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gain or loss arising on derecognition of the investment properties (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated income statement in the year the asset is derecognised.

Development properties
Properties that are being constructed or developed for future use as investment properties or property, plant and equipment, are classified as development properties and are stated at cost less impairment losses, if any, until construction or development is complete. Properties in the course of construction for sale are classified as development properties and are stated at the lower of cost less accumulated impairment, or net realisable value.

Cost includes:
- Freehold and leasehold rights for land.
- Amounts paid to contractors for construction.
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to complete and the estimated cost of sale.

Management reviews the carrying value of the development properties on an annual basis.

Upon completion of construction or development, it is reclassified under investment properties or property, plant and equipment depending on its future intended use. No depreciation is charged during the development period.

Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the property to be completed.

In case of real estate and development subsidiaries, the cost of land and cost incurred in the course of development relating to properties sold during the year, for which revenue is recognised, are transferred to cost of revenues.

Intangible assets (excluding goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value of intangible assets 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 recorded in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates i.e. adjusted prospectively. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)
Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives as follows:

Service rights	*15 years*
Customer relationships	*upto 10 years*
Computer software	*1 - 7 years*
Contractual rights	*Over the term of rights*
Licenses (including trade names and exclusive rights)	*upto 50 years*

The intangible assets includes certain trademarks which have an indefinite life.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether 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.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is only recognised when both the identification and recognition criteria defined in IAS 38, Intangible Assets (listed below) are met:

- the technical feasibility of completing the asset so that it will be available for use;
- the Group has the intention to complete the asset and use or sell it;
- the Group has the ability to use or sell the asset;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources are available to the Group to complete the development and to use or sell the asset; and
- the development cost of the asset can be measured reliably.

If these conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred. The qualifying expenditure capitalised represents costs directly attributable to the development of the asset. The expenditure capitalised is from the point at which the above criteria are met up to the point at which the product is considered available for use.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. The assessment regarding useful lives of capitalised development costs is based upon several factors including typical product lifecycle for similar assets in the market. Management will assess the useful life of capitalised development projects on a case-by-case basis, when they meet the IAS 38 requirements for capitalisation.

Investments and other non-current assets
Financial assets within the scope of IAS 39 are classified as either:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; or
- available-for-sale financial assets, as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

i) 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 as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are carried at fair value and any changes in fair value are recognised in consolidated income statement.

ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables include trade, contracts, retentions and other receivables, originated loans, due from banks (from the Group's banking operations), deposits, islamic financing and investments assets, syndicated loans funded on origination and other debt securities acquired (purchased) by the Group either from the issuer or another source, provided that they are not quoted in an active market. Subsequent to initial recognition such assets are carried at amortised cost using the effective interest method net of interest suspended, provisions for impairment and any amounts written off. Gains and losses are recognised in consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other receivables
Subsequent to initial recognition, trade receivables are stated at amortised cost which is usually original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Due from banks and deposits
Subsequent to initial recognition, these are stated at amortised cost less any amounts written off and provision for impairment, if any.

Islamic financing and investing products
The Group's islamic financing and investing products consist of Murabaha, Mudaraba, Musharaka, investments under Sukuk and Wakala arrangements, Istisna'a and Ijara contracts.

Subsequent to initial recognition, all islamic financing and investing assets are stated at amortised cost less any provisions for impairment and deferred income.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. These include certain debt instruments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost (less impairment, if any).

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with any fair value gains or losses being recognised as cumulative changes in fair value in other comprehensive income, except in case of impairment where the accumulated loss is recycled in the consolidated income statement. When the investment is disposed off, the cumulative gain or loss previously recorded in other comprehensive income / equity is recognised in the consolidated income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Assets in this category are included in non-current assets unless management intends to dispose off the assets within twelve months of the reporting date. The assets are derecognised when rights to receive cash flows have expired or have been transferred alongwith substantially all the risks and rewards of ownership.

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 makes an estimate of 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 exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future 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 values less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An impairment loss in respect of goodwill is not reversed. 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 makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation / amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in consolidated income statement.

The following criteria are applied in assessing impairment of specific assets.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which goodwill relates. Where the recoverable amount of a cash-generating unit is less than the carrying amount of that cash generating unit to which goodwill has been allocated plus the carrying amount of such goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill at every reporting period.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Other intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment at every reporting period either individually or at the cash generating unit level, as appropriate.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss against the carrying value of Group's investments in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amounts of the investments in associates or joint ventures (as the case may be) and their carrying values and recognises the resultant impairment in the consolidated income statement.

Impairment of financial assets
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and advances
Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the consolidated income statement. The carrying amount of impaired loans on the consolidated statement of financial position is reduced through the use of impairment allowance accounts.

Individually assessed loans and advances
For all loans that are considered individually significant, the Group assesses on a case-by-case basis each quarter and more frequently when circumstances require whether there is any objective evidence of impairment. The criteria used by the Group to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- decline in the realisable value of the security;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- the Group's aggregate exposure to the customer;
- the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the likely dividend available on liquidation or bankruptcy;
- the extent of other creditors' commitments ranking ahead of, or pari passu with, the Group and the likelihood of other creditors continuing to support the customer;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security (or other credit mitigants) and likelihood of successful repossession;
- the likely deduction of any costs involved in recovery of amounts outstanding;
- the ability of the borrower to obtain, and make payments in, the currency of the loan if not denominated in local currency; and
- when available, the secondary market price of the debt.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed at least quarterly and more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Loans and advances (continued)
Collectively assessed loans and advances
Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- for homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment
Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, loan grade or product);
- the estimated period between impairment occurrence and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual loan; and
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

The period between a loss occurrence and its identification is estimated by management for each identified portfolio.

Homogeneous groups of loans and advances
Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans that are not considered individually significant, because individual loan assessment is impracticable.

Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

Write-off of loans and advances
Loans (and the related impairment allowance accounts) are normally written off, in full, when there is no realistic prospect of recovery. Where loans are secured, this is after receipt of any proceeds from the realisation of security.

Reversals of impairment
If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the consolidated income statement.

Other assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the consolidated income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Available-for-sale financial assets
In the case of an investment classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale investment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale equity instruments are not reversed through the consolidated income statement.

If in a subsequent period, the fair value of an available-for-sale debt instrument increases which can be linked objectively to an event occurring after the write down, the write-down or impairment allowance is reversed through the consolidated income statement.

Work in progress and excess billings (in respect of construction contracts)
Work in progress is stated at cost plus attributable profits, less provision for any anticipated losses and progress payments received and receivable. Where the payments received or receivable for any contract exceed the cost plus attributable profits or less anticipated losses, the excess is shown as excess billings.

Inventories
Inventories are stated at the lower of cost and estimated net realisable value. Cost of materials comprises of expenditure incurred in bringing each product to its present location and condition. Cost of finished goods and work in progress comprises of cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs and is determined as below:

Petroleum products	*weighted average*
Airline inventory for internal use (excluding consumer goods)	*weighted average*
Airline inventory – Maintenance, repair and overhaul (MRO) operations	*first-in-first-out*
Airline consumer goods	*first-in-first-out*
Other consumer goods	*weighted average*
Ship spares	*weighted average*
Hospitality operations	*weighted average*
Contracting inventory	*first-in-first-out*
Industrial products	*weighted average*
Fabrication materials	*first-in-first-out*

Cost of inventories includes transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

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

Properties held with the intention of sale in future are classified as inventory properties under inventory. Inventory properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Management reviews the carrying values of the inventory properties at each reporting date.

2.6 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 and deposits with banks and islamic financing and investment products with original maturity of three month or less, net of bank overdrafts and due to banks with original maturity of three month or less.

Operating segments
For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment management responsible for the performance of the respective segments. The segment management report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 40.

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 incurred for the purpose of settling in the near term. Derivatives, including separate 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 income statement.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or
b) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or
c) the financial liability contains an embedded derivative that would otherwise need to be separately recorded.

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:

a) the rights to receive cash flows from the asset have expired; or
b) the Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
c) 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 Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises 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.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frequent flyer / customer loyalty programme
The Group's airline subsidiary maintains a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on the Group's airline and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

In addition to the above, the Group's banking subsidiary operates a Plus points rewards programme which allows customers to accumulate points when they purchase products on the bank's credit cards. The points can then be redeemed for shopping rewards, cash back or air miles, subject to a minimum number of points being obtained.

The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability (deferred revenue) in the consolidated statement of financial position. The fair value is determined using estimation techniques that take into account the fair value of awards for which they could be redeemed. Miles / points accrued through utilising the services of programme partners and paid for by the participating partners are also accounted for as deferred revenue until they are utilised. In these instances, a liability is not recognised for miles / points that are expected to expire.

Revenue is recognised in the consolidated income statement only when the Group fulfils its obligations by supplying free or discounted goods or services on redemption of the miles / points accrued.

Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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

Employee benefits
UAE national employees participate in the UAE government's pension fund to which the employee and the Group contribute a specified percentage of salary. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

Senior employees of certain subsidiaries who are based in the UAE also participate in provident funds to which employees of the relevant subsidiary and the subsidiary itself contribute a specified percentage of salary. Contributions to provident funds are charged to the consolidated income statement in the period in which they fall due.

End of service benefits for other employees based in the UAE are provided for as per UAE labour law and are based on periods of cumulative service and levels of employees' basic salary.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)
End of service benefits for employees based outside the UAE are provided for in accordance with the relevant local regulations.

The Group operates or participates in various end of service benefit plans, which are classified either as defined contribution or defined benefit plans.

A defined contribution plan is a pension scheme under which the relevant subsidiary pays a fixed contribution and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to settle the benefits relating to the employees service in the current and prior periods. Contributions to the pension fund are charged to the consolidated income statement in the period in which they fall due.

A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets at that date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the reporting date of high quality bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

Actuarial gains and losses for defined benefit plan are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are immediately recognised in retained earnings through consolidated statement of comprehensive income in the period in which they arise.

Fund management
One of the Group's subsidiaries manages and administers funds on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements. Information about the Group's fund management activity is set out in note 38.4.1.

Financial guarantees
Financial guarantees are contracts that require the Group to make specified payments to reimburse the holders, for a loss they incur because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

Maintenance reserve
One of the Group's subsidiaries engaged in aircraft leasing business has created a maintenance reserve. Maintenance reserve represents payments received from lessees to cover the costs of periodic maintenance, repairs, and engine overhauls. The Group uses the funds to reimburse lessees for costs of certain agreed maintenance and repairs. The Group does not record any portion of maintenance reserve as income at the time of receipt. Revenue is recognised when payments received exceed the cost of performing scheduled maintenance, generally only at the end of the lease term.

The Group's aircraft are typically subject to triple-net leases under which the lessee is responsible for maintenance, insurance and taxes. The Group's operating leases also obligates the lessees to comply with all governmental requirements applicable to the flight equipment, including without limitation, operational, maintenance, registration requirements and airworthiness directives.

Share-based compensation plans
Certain employees (including senior executives) of some of the Group's subsidiaries receive remuneration in the form of share-based payment transactions, whereby such employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of shares at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation plans (continued)
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

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 lower of fair value of the leased asset and 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 recorded in the consolidated income statement.

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

Operating leases are those that do not meet the definition of a finance lease. Operating lease payments are recognised as an expense in the consolidated income statement 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Sale and leaseback transactions
Profits arising on sale and leaseback transactions resulting in operating leases are recognised in the consolidated income statement to the extent that the sale proceeds do not exceed the fair value of the assets concerned. Any excess of sale proceeds over the fair value is deferred and amortised over the lease term. In the case of profits arising on sale and leaseback transactions resulting in finance leases, the excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

Lease classification is changed only if, at any time during the lease, the parties to the lease agreement agree to change the provisions of the lease (without renewing it) in a way that it would have been classified differently at inception had the changed terms been in effect at that time. The revised agreement is considered as a new agreement and accounted for appropriately prospectively over the remaining term of the lease.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Sale and repurchase agreements
Securities sold subject to repurchase agreements ("repos") are disclosed in the Group's consolidated financial statements separately when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included as a separate deposit / borrowing. Securities purchased under agreements to resell ("reverse repos") are recorded as loans to and receivables from other banks or customers, as appropriate. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Taxes
Income tax expense comprise current and deferred tax. Income tax expense also include any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group entities operate.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

- where the deferred 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 by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary difference arises 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 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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

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

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

Derivative financial instruments and hedging
The Group uses derivative financial instruments as trading investments as well as to hedge its risks associated with interest rate, foreign currency, commodity price fluctuations and also to satisfy the requirements of its customers. 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 assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to consolidated income statement over the period to maturity.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)
Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are recycled to the consolidated income statement in the periods in which the hedged item will affect the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty and eliminating sales within the Group.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and services
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfer of risk and rewards vary depending on the individual terms of the contract of sale. Sale of goods relating to the upstream exploration and development business excludes the sale of oil attributable to abandonment and decommissioning barrels under the terms of the Production Sharing Agreement between the Group and the relevant government authority.

Revenue from services is recognised in the period in which services are rendered.

Sale of software and licensed products
One of the Group’s subsidiaries enters into arrangements, which may include the sale of licenses of that subsidiary’s software products and packaged configurations (“software”), professional services, maintenance and data management services or various combinations of products or services. Revenue from the sale of software relates mainly to perpetual licenses, which provide the customers with the right to use the subsidiary’s software. Revenue is generally recognised when a signed agreement or other persuasive evidence of an arrangement exists, the software has been delivered either physically or electronically, the license fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. The Group recognises software license revenue based on the “Residual Method”; the fair value of the undelivered elements is deferred and the remaining portion of the fee is allocated to the delivered elements (generally the software licence).

For contracts involving multiple deliverables, the Group evaluates each deliverable to determine whether it represents a separate unit of accounting based on the following criteria: (a) whether the delivered item has value to the customer on a stand-alone basis, (b) whether there is objective and reliable evidence of the fair value of the undelivered item(s), and (c) if the contract includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Group. If objective and reliable evidence of fair value exists for all units of accounting in the arrangement, revenue is allocated to each unit of accounting or element based on relative fair values. In situations where there is objective and reliable evidence of fair value for all undelivered elements, but not for delivered elements, the residual method is used to allocate the contract consideration.

The Group assesses whether the fee is fixed or determinable and collection is reasonably assured at the outset of an agreement. In determining whether the fee is fixed or determinable, the Group reviews the terms and conditions of the agreement. The Group assesses whether collection is reasonably assured based on a number of factors, including the terms and conditions of the agreement and the customer’s past transaction history and credit-worthiness. If it is determined that collection of a fee is not reasonably assured, the Group defers the fee and recognises revenue at the time collection becomes reasonably assured.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Sale of software and licensed products (continued)
Revenue from the provision of data management services is recognised rateably over the term of the service period. Many customers who license software also enter into separate professional services arrangements with the Group. The Group reviews whether such arrangements should be considered alongside other elements/arrangements to determine whether the arrangements taken together should be considered as one arrangement. Professional services are generally separable from the other elements under the arrangement, since the performance of the services is not essential to the core software functionality of the software (i.e. the services do not involve significant production, modification or customisation of the software).

Generally, consulting and implementation services are sold on a time-and-materials basis and revenue is recognised when the services are performed. Contracts with fixed or “not to exceed fees” are recognised on a percentage of completion method. When the provision of services represents more than one performance act, the nature of the service contract is reviewed to determine which revenue recognition method best reflects the nature of services performed. Provided all other revenue recognition criteria have been met, the revenue recognition method selected reflects the pattern in which the obligations to the customers have been fulfilled. If there is a significant uncertainty about the project completion or receipt of payment for professional services, revenue is deferred until the uncertainty is sufficiently resolved. In determining whether professional services revenue should be accounted for separately from licence revenue, the Group evaluates, among other factors, the nature of the software, whether it is ready for use by the customer upon receipt, the nature of the Group’s implementation services, which typically do not involve significant customisation or development of the underlying software code, the availability of services from other vendors, whether the timing of payments for licence fees is coincident with performance of services and whether milestones or acceptance criteria exist that affect the collectability of the software license fee.

Maintenance revenue is deferred and recognised rateably over the term of the maintenance and support period. Where customers benefit over the implementation period from product enhancements normally provided as maintenance services, an element of the licence fee is deferred and recognised rateably over the implementation period up to the start of paid maintenance.

Training revenue is recognised as training services are delivered. To the extent that training is bundled in an arrangement, the revenue allocated is based on the value of stand-alone sales of training services.

For arrangements that do not qualify for separate accounting, the license and professional services revenues are recognised together using the percentage-of-completion method.

Revenues that are recognised ahead of billings are shown as accrued income. Expenses recharged to customers are recognised as revenue.

Sale of property
As per IFRIC 15, an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate, is an agreement for the sale of goods within the scope of IAS 18 “Revenue Recognition” and accordingly revenue shall be recognised only when significant risks and rewards of ownership of real estate in its entirety have been transferred to the buyer. Significant risks and rewards of ownership are deemed to be transferred to the buyer only when a sales contract has been signed, the buyer has been granted full access to the property and there is an unconditional commitment to transfer the title of the property.

Exhibitions
Revenue from exhibitions is recognised immediately once the exhibition is held.

Airline revenue
Passenger and cargo (which includes courier and mail) sales are recognised as revenue when the transportation is provided. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the consolidated statement of financial position under current liabilities as passenger and cargo sales in advance. Unused flight documents are recognised as revenue based on their terms and conditions and historical trends.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from aerospace engineering and aircraft leasing

In general, the Group's aircraft lease rentals are recognised on a straight-line basis over the term of the lease. The Group will neither recognise revenue nor record a receivable from a customer when collectibility is not reasonably assured. Group's management determines whether customers should be placed on a non-accrual status based on factors such as the lessee's credit rating, payment performance, financial condition and requests for modifications of lease terms and conditions as well as security received from the lessee in the form of guarantees and/or letters of credit. Once a customer is on non-accrual status, revenue is recognised when cash payments are received. Estimating whether collectibility is reasonably assured requires some level of subjectivity and judgment as it is based primarily on the extent to which amounts outstanding exceed the value of security held, the financial strength and condition of the lessee and the current economic conditions of the lessee's operating environment. As of 31 December 2014, no leases were on non-accrual status.

The Group has three significant types of MRO revenue contracts; time and materials contracts, fixed price contracts and engine utilisation contracts. Each of the three types of contracts may have multiple deliverables. These deliverables are: (i) repair services and parts and modules embodied and (ii) replacement engine rental revenue. In these arrangements, revenue is allocated based on the relative selling prices of each of these deliverables.

At the inception of an agreement, the Group allocates the arrangement consideration to each deliverable based on the relative selling price, which is determined using the Group’s best estimated selling price. The determination of the best estimated selling price involves a weighting of several factors based on the specific facts and circumstances of the arrangement. Specifically, the Group considers the cost to produce the deliverable, the anticipated margin on that deliverable, the economic conditions and trends, the selling price and the profit margin for similar parts and ongoing pricing strategy and policies. For all contracts, rental engine revenue, if applicable, is recognised monthly based on the hours flown multiplied by the appropriate hourly rate. For time and material and fixed contracts, engine repair services and engine parts embodied revenue and costs are recognised upon customer acceptance and shipment due to the majority of contracts being subject to strict regulatory and manufacturer testing procedures. For engine utilisation contracts, the Group recognises revenue upon customer acceptance and shipment due to the significant acceptance process, using a proportional performance model based on completed output deliverables under each contract. Recognition of revenue associated with unbilled receivables is limited to amounts contractually recoverable. Estimates of total contract revenue and costs for engine utilisation contracts are reviewed at a minimum each quarter. The Group records a loss provision for contracts when the Group determines that estimated future cost will exceed estimated future revenues. The estimates that the Group uses in connection with making these determinations are based on management’s expectations with respect to the customer’s utilisation of engines during the contract. As a result, such estimates may be materially impacted by changes in the customer’s engine utilisation, including as a result of general economic slowdowns, fleet retirements and changes in the customer’s codeshare agreements. Any changes could result in the Group recording material loss provisions that could have an adverse effect on the results of operations.

Revenues related to providing design and implementations of operational redesigns are recognised as services are completed and customer acceptance is achieved.

Revenues from longer term contracts related to airplane interior modifications are recognised on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated costs for each contract. Contract costs include all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Profit incentives, if any, are included in revenues when their realisation is probable and can be reliably measured. For contracts related to airplane interior modifications, it is possible that factors may cause the Group to change its estimates of revenues and costs at any time, thereby altering estimated profitability. These factors include, but are not limited to, changes in job performance and job conditions, including those arising from contract penalty provisions, if any, and final contract settlements. The impact of the revisions is recognised in the period in which the revisions are determined. Changes in these factors could result in a material effect on the results of operations of the Group.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Finance / interest income
Interest income on investments in interest bearing securities is recognised as the interest accrues using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

Finance income on loans and advances is recognised at the effective interest rate, taking account of the principal outstanding and the rate applicable. The recognition of interest income is suspended when loans become impaired. Notional interest is recognised on impaired loans and other non-current assets based on the rate used to discount future cash flows to their net present value. Material loan commitment fees are recognised on a time proportion basis over the commitment period. When the Group enters into an interest rate swap to change interest from fixed to floating (or vice versa) the amount of interest income or expense is adjusted by the net interest on the swap.

Fees and commission
Fee income is earned from a diverse range of services provided by the Group’s banking subsidiary to its customers.

Fee income is accounted for as follows:
- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third-party, such as an arrangement for the acquisition of shares or other securities);
- income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management, portfolio and other management advisory and service fees); and
- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded in “finance income”.

Commission income is accounted for on an accrual basis.

Recoveries in respect of loans and receivables that have been identified as fully impaired are accounted for on a cash receipt basis.

Exchange house trading, clearing and settlement fees
Trading, clearing and settlement fees are recognised when settlement of a trade is completed.

Dividends
Dividend revenue is recognised when the Group’s right to receive the payment is established.

Rental income
Rental income from investment property leased out under operating leases is recognised in income on a straight line basis over the term of the lease. When the Group provides incentives to its customers, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from hotel operations
Revenue from hotel operations of the Group represents the value of services provided and food and beverage sold by the hotels during the period, whether invoiced or not. Revenue is stated net of municipal fees and service charges.

Serviced apartments
Revenue in this category represents rental income which is recognised as income on a straight line basis over the period to which it relates. Revenue is stated net of service charges and municipal fees.

Tank rental
Tank rental is recognised over the period of contractual agreement on a straight line basis.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Vessel charter hire income
Vessel charter is recognised on a straight line basis over the duration of the charter hire.

Construction contracts
Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, which is determined based on surveys of work performed. Variations in contract work, claims and incentive payments are included 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 in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately in the consolidated income statement.

Gains and losses from derivative contracts
Gains and losses arising as a result of settlement of derivative contract deals during the year are recognised in the consolidated income statement. The fair values of the outstanding contracts are determined on closing exchange rates and over the counter quotations for the underlying contracts, as well as management's best estimates which takes into consideration various factors including brokers' quotation. The resulting unrealised gains and losses are also recognised in consolidated income statement with corresponding amounts as other assets and liabilities as the case may be.

Liquidated damages
Income from claims for liquidated damages is recognised in the consolidated income statement when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are taken to the consolidated statement of financial position and recorded as a reduction in the cost of the related asset.

Ancillary services
Revenue from ancillary services represents the amount derived from providing licenses, visas, health cards and other services falling within the Group's ordinary activities. Revenue from ancillary services is recognised in consolidated income statement as and when they are rendered.

Income from islamic financing and investment products
Islamic financing and investment products are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These products are carried at amortised cost (less impairment). Following are the main classes of islamic investment assets:

Murabaha
An agreement whereby the Group sells to a customer a commodity, which the Group has purchased and acquired, based on a promise received from the customer to repurchase the item purchased by the Group according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

The profit is quantifiable and contractually determined at the commencement of the contract. Profit is recognised as it accrues over the life of the contract using an effective profit method on the outstanding balance.

Istissna'a
An agreement between the Group and a customer whereby the Group would sell to the customer a developed property according to agreed upon specifications. The Group would develop the property either on its own or through a subcontractor and then hand it over to the customer on a fixed date at an agreed price.

Istissna'a revenue and the associated profit margin (difference between the cash price to the customer and the Group's total Istissna'a cost) are accounted for on a time proportion basis.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Ijara
An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent installments. Ijara could end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially transferring all the risks and returns related to the ownership.

Ijara income is recognised on a time proportion basis over the period of contract.

Mudaraba
An agreement between two parties; one of them provides the funds and is called Rab-Ul-Mal and the other provides efforts and expertise and is called the Mudarib. Mudarib is responsible for investing such funds in a specific enterprise or activity in return for a pre-agreed percentage of the Mudaraba income. In case of normal loss; the Rab-Ul-Mal would bear the loss of his funds while the Mudarib would bear the loss of his efforts. However, in case of default, negligence or violation of any of the terms and conditions of the Mudaraba agreement, only the Mudarib would bear the losses. The Group may act as Mudarib when accepting funds from depositors and as Rab-Ul-Mal when investing such funds on a Mudaraba basis.

Income on Mudaraba financing is recognised on distribution by the Mudarib, whereas the losses are charged to income on their declaration by the Mudarib.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Estimated income from Wakala is recognised on an accrual basis over the period, adjusted by actual income when received. Losses are accounted for on the date of declaration by the agent.

Sukuk
Investment Sukuk are certificates of equal value, representing undivided shares in ownership of tangible assets, usufruct and services or assets of particular projects or special investment activity. Sukuk represent a common share in the ownership of the assets made available for investment.

Income is accounted for on a time-apportioned basis over the terms of the Sukuk.

Bond Holders' share of profit
Profit to Bond Holders (investors in Shari'a compliant funds issued by one of the Group's subsidiaries) included in cost of revenue is calculated on the following basis:

- allocation of revenues and expenses, after exclusion of disallowed items, to a fund maintained by one of the subsidiaries of the Group (the "Fund"), on a pro-rata basis by reference to the amount of the Fund's assets invested compared with the independent co-investment made by the subsidiary's shareholders, as per the requirements of the Fund's prospectus, and

- allocation of the Fund's net profit between the subsidiary and Bond Holders at a ratio of 80:20 to the subsidiary and the Bond Holders, respectively, in accordance with the requirements of the prospectus and as approved by the Fund's Shari'a Supervisory Board.

Fair value measurement
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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The principal or the most advantageous market must be accessible by 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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
- 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 recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 their carrying amount and fair value less costs to sell or to distribute. The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than its 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 sell, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the consolidated statement of financial position. Results of the discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. There is no requirement to re-present prior period information for statement of financial position. Additional disclosures are provided in note 23.

3 OTHER INCOME

	2014 *AED'000*	*2013* *AED'000*
Foreign exchange translation gain	**1,173,029**	934,982
Liquidated damages	**1,305,825**	698,320
Gain on disposal of stake in an indirect associate (see note 15 (c))	**3,033,058**	479,211
Gain on re-measurement of an indirect joint venture on conversion into a subsidiary (see note 10)	**-**	31,312
Net gain on sale of marketable securities	**580,659**	272,599
Net change in fair value of investments carried at fair value through profit or loss (see note 16)	**103,710**	106,677
Dividend income from marketable securities	**51,512**	89,360
Net gain on disposal of property, plant and equipment, investment and other properties, intangible assets and sale and leaseback of aircraft	**508,805**	16,498
Vendors' support fee income	**297,978**	269,817
Gain on bargain purchase (see note 10 (a))	**38,488**	-
Reversal of impairment loss on non-financial assets (see notes 13 and 14)	**112,917**	3,000
Others	**2,255,208**	2,267,975
	9,461,189	5,169,751

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND EQUITY ACCOUNTED INVESTEES

	2014 *AED'000*	*2013* *AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 21)	**3,287,371**	3,114,744
Impairment loss on trade and other receivables - net of recoveries (see note 19)	**247,084**	33,626
Impairment loss on available-for-sale investments	**640,758**	452,378
Impairment loss on investment in associates and joint ventures (see note 15)	**406,899**	50,025
Impairment loss on islamic financing and investment products – net of recoveries (see note 20)	**1,377,781**	1,287,475
Other impairment losses - net	**225,692**	46,443
Impairment loss on other non-current assets – net of recoveries (see note 17.4)	**19,315**	-
	6,204,900	4,984,691

5 OTHER FINANCE INCOME

	2014 *AED'000*	*2013* *AED'000*
Interest income and profit from bank deposits	**294,139**	342,461
Interest income and profit from associates and joint ventures (see note 37 (a))	**157,464**	57,000
Interest income and profit from Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 37 (a))	**362,675**	352,125
Other interest income and profit	**6,647**	12,814
	820,925	764,400

6 OTHER FINANCE COSTS

	2014	*2013*
	AED'000	*AED'000*
Finance costs on bank borrowings	**1,917,447**	1,653,089
Interest on loans from associates and joint ventures (see note 37 (a))	**150,953**	145,699
Interest on loans from Government, MOF and other related parties (see note 37 (a))	**478,062**	701,529
Finance charges on finance leases and hire purchase contracts	**928,086**	781,831
Others	**244,734**	238,567
	3,719,282	3,520,715

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2014	*2013*
	AED'000	*AED'000*
Current income tax		
Current income tax charge	**164,493**	738,167
Deferred income tax		
Relating to origination and reversal of temporary differences	**(90,075)**	157,396
Income tax expense related to continuing operations	**74,418**	895,563
Income tax attributable to discontinued operations (see note 23)	**-**	2,253
	74,418	897,816

Deferred income tax

Deferred income tax at year-end relates to the following:

	Consolidated statement of financial position 2014 AED'000	***Consolidated income statement 2014 AED'000***
Deferred tax liability		
Accelerated depreciation for tax purposes	**874,247**	**(49,410)**
Tax effect of intangible assets and other timing differences	**193,377**	**36,360**
Fair value of derivative instruments	**-**	**812**
	1,067,624	**(12,238)**

	Consolidated statement of financial position 2014 AED'000	***Consolidated income statement 2014 AED'000***
Deferred tax asset		
Losses available for offset against future taxable income	**46,430**	**(14,447)**
Inventory and deferred hedging assets	**8,383**	**(1,646)**
Other timing differences	**134,244**	**(61,744)**
	189,057	**(77,837)**
Deferred income tax		**(90,075)**

7 INCOME TAX EXPENSE (continued)

Deferred income tax (continued)

	Consolidated statement of financial position 2013 AED'000	*Consolidated income statement 2013 AED'000*
Deferred tax liability		
Accelerated depreciation for tax purposes	930,803	153,880
Tax effect of intangible assets and other timing differences	169,354	(8,402)
	1,100,157	145,478

	Consolidated statement of financial position 2013 AED'000	*Consolidated income statement 2013 AED'000*
Deferred tax asset		
Losses available for offset against future taxable income	14,147	14,371
Inventory and deferred hedging assets	6,735	(1,092)
Other timing differences	109,821	(1,361)
	130,703	11,918
Deferred income tax		157,396

A significant part of the Group's operations are carried out within the United Arab Emirates ("UAE") and presently the Group's operations in the UAE are not subject to corporation tax. Some of the Group's subsidiaries operating in various tax jurisdictions secured tax exemptions by virtue of double taxation avoidance agreements and reciprocal arrangements in most of the jurisdictions in which they operate.

Income tax therefore relates only to certain overseas subsidiary companies and operations which are subject to income tax.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2014 AED'000	*2013 AED'000*
Net profit before tax as per the consolidated income statement		
Continuing operations	**22,675,410**	16,697,089
Discontinued operations	**5,865,852**	1,793,198
Total profit before tax	**28,541,262**	18,490,287
Of which profit arising from taxable jurisdictions are:	**3,943,221**	3,069,489
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**764,999**	865,300
Effect of non-deductible expenses	**60,720**	46,516
Effect of income exempt from tax	**(33,786)**	(36,327)
Prior period adjustment / release of provision *	**(678,401)**	(6,441)
Impact of tax rate change	**19,277**	(4,143)
Effect of other items	**(58,391)**	30,658
Income tax expense - net	**74,418**	895,563

* This includes release of provision of AED 587,838 thousand in respect of prior years.

8 PROFIT FOR THE YEAR

	2014 **AED'000**	2013 AED'000
Profit for the year is stated after charging the following:		
Staff costs	**21,339,441**	19,749,498
Rental-operating leases (includes aircraft operating lease payments of AED 5,969,838 thousand (2013: AED 5,803,551 thousand))	**7,386,753**	6,362,355
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 11, 13 and 14)	**11,137,242**	9,752,911
Amortisation and impairment of intangible assets and advance lease rental (see notes 12 and 17.3)	**1,091,771**	854,585

Staff costs include pension costs amounting to AED 86,964 thousand (2013: AED 98,713 thousand), other post employment benefits amounting to AED 810,629 thousand (2013: AED 739,777 thousand) and employee profit share scheme expense amounting to AED 71,690 thousand (2013: AED 63,557 thousand).

9 NET GAIN FROM DERIVATIVE INVESTMENTS

	2014 **AED'000**	2013 AED'000
Realised net gain / (loss) on commodity oil derivative contracts	**56,334**	(35,081)
Unrealised net gain / (loss) on commodity oil derivatives	**440,754**	(30,760)
Net gain on other derivatives	**42,792**	114,973
Unrealised net gain / (loss) on interest rate swap contracts	**5,033**	(787)
	544,913	48,345

10 BUSINESS COMBINATIONS

a) Acquisition of Atlantis The Palm Holding Company Limited

During 2014, the Group acquired the business of Atlantis The Palm Holding Company Limited ("Atlantis") for a consideration of AED 2,742,285 thousand. The principal activity of Atlantis is operating as a hotel and resort.

The Group recorded fair value of assets and liabilities of Atlantis at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	6,271,123
Inventories	15,598
Trade and other receivables	137,361
Cash and deposits with banks	487,764
Employees' end of service benefits (note 27)	(29,215)
Borrowings and lease liabilities	(3,670,087)
Negative fair value of derivatives (note 16)	(179,601)
Other non-current payables	(19,910)
Trade and other payables	(232,260)
Fair value of the net assets acquired	**2,780,773**
Purchase consideration	**(2,742,285)**
Gain on a bargain purchase	**38,488**
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	487,764
Cash paid	(2,742,285)
Net cash outflow on acquisition	**(2,254,521)**

Costs of acquisition have been charged to the consolidated income statement.

The acquired business contributed revenue of AED 887,527 thousand and a profit of AED 57,477 thousand from the acquisition date to 31 December 2014. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 1,875,540 thousand and AED 183,974 thousand respectively.

10 BUSINESS COMBINATIONS (continued)

b) Acquisition of AMSA Holdings FZE

During 2014, the Group acquired the business of AMSA Holdings FZE ("AMSA"). The principal activity of AMSA is owning and leasing of properties.

The Group recorded fair value of assets and liabilities of AMSA at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	575,266
Other non-current assets	19,841
Inventories	3,796
Trade and other receivables	262
Trade and other payables	(3,953)
Fair value of the net assets acquired	**595,212**
Cash consideration (see note below)	595,212
Consideration	187,256
Shareholder loan acquired	407,956
Net cash outflow on acquisition	**595,212**

Costs of acquisition have been charged to the consolidated income statement.

Most of AMSA's operations are with another entity of the Group, hence most of the revenue from AMSA gets eliminated at Group level.

c) Acquisition of Gold Medal International plc

During 2014, one of the subsidiaries of the Group acquired the business of Gold Medal International plc ("Gold Medal"). Gold Medal is one of the leading distributors of scheduled long-haul travel products in the United Kingdom.

The Group recorded fair value of assets and liabilities of Gold Medal at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	5,944
Intangible assets (note 12)	160,820
Trade and other receivables	79,709
Deferred tax assets	14,306
Cash and deposits with banks	52,093
Deferred tax liabilities	(32,316)
Trade and other payables	(202,824)
Fair value of the net assets acquired	**77,732**
Goodwill (note 12)	**153,013**
Consideration	230,745
Cash and deposits with banks acquired	(52,093)
Net cash outflow on acquisition	**178,652**

10 BUSINESS COMBINATIONS (continued)

c) Acquisition of Gold Medal International plc (continued)

Costs of acquisition amounting to AED 5,407 thousand have been charged to the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired business.

The acquired business contributed revenue of AED 56,020 thousand and a loss of AED 2,427 thousand from the acquisition date to 31 December 2014. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 970,452 thousand and AED 39,361 thousand respectively.

d) Acquisition of Stella Travel Group

During 2014, one of the subsidiaries of the Group acquired the business of Stella Travel Group (including Stella Travel Services (UK) Ltd and Stella Global UK Ltd) ("Stella"). Stella is one of the leading distributors of scheduled long-haul travel products in the United Kingdom.

The Group recorded fair value of assets and liabilities of Stella Travel Group ("Stella") at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	11,983
Intangible assets (note 12)	80,383
Trade and other receivables	356,979
Deferred tax assets	30,707
Cash and deposits with banks	176,180
Deferred tax liabilities	(16,107)
Trade and other payables	(645,583)
Fair value of the net assets acquired	**(5,458)**
Goodwill (note 12)	**60,878**
	55,420
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	176,180
Consideration	(55,420)
Net cash inflow on acquisition	**120,760**

Costs of acquisition amounting to AED 2,704 thousand have been charged to the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired business.

The acquired business contributed revenue of AED 344,732 thousand and a loss of AED 972 thousand from the acquisition date to 31 December 2014. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 1,955,887 thousand and AED 14,548 thousand respectively.

10 BUSINESS COMBINATIONS (continued)

e) Acquisition of BNP PARIBAS EGYPT S.A.E (since renamed as Emirates NBD S.A.E)

During 2013, a banking subsidiary of the Group acquired the business of Emirates NBD S.A.E ("Emirates NBD, Egypt") for a consideration of AED 1,837,686 thousand.

The Group recorded fair value of assets and liabilities of Emirates NBD, Egypt at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	421,009
Intangible assets (note 12)	456,000
Investments in marketable securities	1,649,000
Other non-current assets	43,000
Loans and receivables	3,554,000
Cash and deposits with banks	3,599,000
Trade and other payables	(284,303)
Customer deposits	(7,735,000)
Fair value of the net assets acquired	**1,702,706**
Purchase consideration	**1,837,686**
Goodwill (note 12)	**134,980**
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	3,599,000
Consideration	(1,837,686)
Net cash inflow on acquisition	**1,761,314**

Costs of acquisition amounting to AED 24 million were charged to the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired business.

f) Acquisition of Broadlex Air Services

During 2013, one of the subsidiaries of the Group, acquired the business of Broadlex Air Services. Broadlex Air Services provides professional aircraft cabin cleaning services at various airports in Australia.

The Group recorded fair value of assets and liabilities of Broadlex Air Services at the date of acquisition which are summarised as below:

	Fair values AED '000
Property, plant and equipment (note 11)	8,261
Intangible assets (note 12)	20,991
Trade and other receivables	282
Deferred tax liability	(6,295)
Trade and other payables	(3,047)
Fair value of the net assets acquired	**20,192**
Goodwill (note 12)	**38,343**
Consideration and cash outflow on acquisition	**58,535**

Costs of acquisition amounting to AED 2,731 thousand were charged to the consolidated income statement.

Goodwill is attributable to expected synergies, revenue growth and future market development of the acquired businesses.

10 BUSINESS COMBINATIONS (continued)

g) Acquisition of Servair Air Chef srl

During 2013, one of the subsidiaries of the Group obtained control of an existing joint venture, Servair Air Chef srl ("Servair"), by acquiring the remaining 50% shares of Servair. Servair is one of the leading in-flight catering companies in Italy operating in 23 airports.

The Group recorded fair value of assets and liabilities of Servair at the date of acquisition which are summarised as below:

	Fair values *AED '000*
Property, plant and equipment (note 11)	11,270
Intangible assets (note 12)	26,906
Investments in associates and joint ventures (note 15)	2,869
Deferred tax asset	3,503
Trade and other receivables	77,764
Cash and deposits with banks	39,980
Trade and other payables	(87,822)
Fair value of the net assets acquired	**74,470**
Less: Non-controlling interests	(1,090)
Group's share of net assets acquired	**73,380**
Goodwill (note 12)	**177,622**
Consideration	251,002
Less: Cash and deposits with banks acquired	(39,980)
Less: Fair value of existing interest	(118,394)
Net cash outflow on acquisition	**92,628**

Costs of acquisition amounting to AED 2,213 thousand were charged to the consolidated income statement.

The retained interest in the indirect joint venture at the acquisition date was re-measured to fair value resulting in a net gain of AED 31,312 thousand, which has been included under "other income" in the consolidated income statement (see note 3).

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing inflight catering business. The full acquisition of this business reflects the subsidiary's long term strategy to further invest in its core business. The Italian business complements the subsidiary's existing in-flight catering and cabin cleaning operations around the world.

11 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft AED'000*	*Aircraft engines and parts AED'000*	*Capital work-in-progress (CWIP) AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2014	21,351,661	4,469,147	20,166,736	11,007,882	64,665,108	4,884,742	11,170,866	137,716,142
Net transfers (to) / from investment properties (see note 13)	(41,330)	-		-	-	-	19,899	(21,431)
Transfers from development properties (see note 14)	38,539	-	33,621	-	-	-	-	72,160
Other transfers	2,388,664	280,599	757,758	-	15,527,619	660,190	(19,614,830)	-
Additions during the year	472,940	381,538	2,679,010	2,301,774	1,546,315	447,166	19,997,698	27,826,441
Acquired on business combinations (see note 10)	6,647,137	197,809	36	-	-	-	19,334	6,864,316
Disposals during the year	(162,800)	(214,641)	(1,921,038)	-	(736,844)	(61,925)	(159,795)	(3,257,043)
Translation differences	(64,794)	(16,470)	(70,167)	-	1	-	(4,128)	(155,558)
At 31 December 2014	**30,630,017**	**5,097,982**	**21,645,956**	**13,309,656**	**81,002,199**	**5,930,173**	**11,429,044**	**169,045,027**
Accumulated depreciation and impairment:								
Balance at 1 January 2014	5,701,042	3,257,586	9,926,896	5,456,291	10,313,537	1,462,256	967	36,118,575
Impairment and depreciation charge for the year (see note 8)	1,205,946	525,974	2,916,576	1,162,086	4,205,387	371,698	500	10,388,167
Relating to disposals during the year	(136,248)	(189,538)	(1,783,025)	-	(516,920)	(35,484)	-	(2,661,215)
Transfer to investment properties (see note 13)	(7,347)	-	-	-	-	-	-	(7,347)
Translation differences	(17,475)	(11,517)	(30,711)	-	-	1	(1)	(59,703)
At 31 December 2014	**6,745,918**	**3,582,505**	**11,029,736**	**6,618,377**	**14,002,004**	**1,798,471**	**1,466**	**43,778,477**
Net book value:								
At 31 December 2014	**23,884,099**	**1,515,477**	**10,616,220**	**6,691,279**	**67,000,195**	**4,131,702**	**11,427,578**	**125,266,550**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements AED'000	*Furniture, fixtures and office equipment AED'000*	*Plant, machinery equipment and vehicles AED'000*	*Oil and gas interests AED'000*	*Aircraft AED'000*	*Aircraft engines and parts AED'000*	*Capital work-in-progress (CWIP) AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2013	26,146,505	4,374,126	36,679,139	10,008,951	50,411,314	4,310,079	9,800,358	141,730,472
Net transfers from / (to) investment properties (see note 13)	-	15,134	-	-	-	-	(7,532)	7,602
Transfers from development properties (see note 14)	43,140	-	-	-	-	-	-	43,140
Other transfers	384,163	208,891	1,186,762	-	13,725,675	323,103	(15,828,594)	-
Transfers to assets held for sale (see note 23)	(5,416,445)	(402,250)	(18,442,292)	-	-	-	(663,063)	(24,924,050)
Additions during the year	368,583	443,928	3,026,095	998,931	1,123,899	349,564	17,899,832	24,210,832
Acquired on business combinations (see note 10)	323,586	1,018	49,269	-	-	-	66,667	440,540
Disposals during the year	(416,165)	(178,209)	(2,258,934)	-	(595,780)	(98,004)	(95,213)	(3,642,305)
Translation differences	(79,233)	6,527	(73,193)	-	-	-	(1,589)	(147,488)
Write off during the year	(2,473)	(18)	(110)	-	-	-	-	(2,601)
At 31 December 2013	21,351,661	4,469,147	20,166,736	11,007,882	64,665,108	4,884,742	11,170,866	137,716,142
Accumulated depreciation and impairment:								
Balance at 1 January 2013	7,523,864	3,151,801	19,113,439	4,666,250	7,108,349	1,195,306	967	42,759,976
Impairment and depreciation charge for the year (see note 8)	1,188,081	534,763	3,538,645	790,040	3,283,120	299,029	-	9,633,678
Relating to disposals during the year	(391,238)	(153,998)	(2,133,969)	-	(77,932)	(32,078)	-	(2,789,215)
Transfers to assets held for sale (see note 23)	(2,619,839)	(271,050)	(10,560,038)	-	-	-	-	(13,450,927)
Translation differences	1,054	(3,945)	(31,107)	1	-	(1)	-	(33,998)
Write off during the year	(847)	(18)	(74)	-	-	-	-	(939)
Other transfers	(33)	33	-	-	-	-	-	-
At 31 December 2013	5,701,042	3,257,586	9,926,896	5,456,291	10,313,537	1,462,256	967	36,118,575
Net book value:								
At 31 December 2013	15,650,619	1,211,561	10,239,840	5,551,591	54,351,571	3,422,486	11,169,899	101,597,567

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

(i) Certain buildings and leasehold improvements constructed on land granted by the Government. The Group accounted for this non-monetary government grant received during the previous years at nominal value.

(ii) Certain business premises erected on plots of land obtained on a leasehold basis from the Government/third parties. The management is of the opinion that the leases are renewable and the land will be available to the Group on an ongoing basis in the foreseeable future.

(b) The net book value of property, plant and equipment includes AED 46,311,962 thousand (2013: AED 35,115,805 thousand) in respect of aircraft and aircraft engines held under finance leases and are provided as security against finance lease liabilities included under borrowings and lease liabilities.

(c) Borrowing costs amounting to AED 131,727 thousand (2013: AED 219,097 thousand) have been capitalised during the year.

(d) Capital work-in-progress includes:

(i) pre-delivery payments of AED 7,742,373 thousand (2013: AED 6,550,776 thousand) in respect of aircraft due for delivery in various years until 2028 (2013: due for delivery in various years until 2024).

(ii) construction relating to pipeline, gas processing plant, berth facilities and construction of retail sites.

(e) Aircraft includes an amount of AED 5,329,658 thousand (2013: AED 5,154,283 thousand) given on operating leases to various operators for lease terms ranging up to 18 years (2013: up to 12 years). The rentals are receivable on a monthly basis in advance and revenue is recognised when earned.

(f) Plant, machinery equipment and vehicles includes a refinery plant in Jebel Ali, constructed by one of the subsidiaries of the Group on a leasehold land granted at a nominal lease rent from the Government. The lease is initially for a period of 15 years which can be renewed for a further period of 15 years.

12 INTANGIBLE ASSETS

	Licences and exclusive rights AED'000	*Goodwill AED'000*	*Customer relationships and trade names AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2014	11,774,940	14,812,968	580,514	1,172,474	1,110,792	936,204	134,481	30,522,373
Additions during the year	127,019	-	5,450	97,076	190,920	80	158,255	578,800
Disposals during the year	(8,625)	-	-	(113,731)	-	-	(3,181)	(125,537)
Acquired on business combination (see note 10)	-	213,891	53,187	6,894	-	181,122	-	455,094
Transfers	-	-	-	119,915	-	-	(119,915)	-
Translation differences	(16,427)	(164,782)	(14,266)	(7,062)	(1,538)	(64,967)	(2)	(269,044)
At 31 December 2014	**11,876,907**	**14,862,077**	**624,885**	**1,275,566**	**1,300,174**	**1,052,439**	**169,638**	**31,161,686**
Accumulated amortisation and impairment:								
Balance at 1 January 2014	869,557	61,797	346,415	838,035	514,361	379,918	-	3,010,083
Impairment and amortisation charge for the year (see note 8)	460,201	22	61,641	128,427	191,161	74,979	-	916,431
Relating to disposals during the year	(8,625)	-	-	(57,892)	-	-	-	(66,517)
Translation differences	(5,642)	(9,452)	(3,444)	(3,262)	-	(35,369)	-	(57,169)
At 31 December 2014	**1,315,491**	**52,367**	**404,612**	**905,308**	**705,522**	**419,528**	**-**	**3,802,828**
Net book value:								
At 31 December 2014	**10,561,416**	**14,809,710**	**220,273**	**370,258**	**594,652**	**632,911**	**169,638**	**27,358,858**

12 INTANGIBLE ASSETS (continued)

	Licences and exclusive rights AED'000	*Goodwill AED'000*	*Customer relationships and trade names AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2013	9,540,315	14,505,583	535,309	1,014,824	797,947	928,624	126,937	27,449,539
Additions during the year	1,884,269	-	-	28,327	213,845	199	155,232	2,281,872
Disposals during the year	(8,310)	(53,438)	(1,691)	(762)	-	(276)	(18,831)	(83,308)
Acquired on business combination (see note 10)	357,000	350,945	46,115	1,782	99,000	-	-	854,842
Transfers	-	-	-	128,842	-	-	(128,842)	-
Translation differences	1,666	9,878	781	(539)	-	7,657	(15)	19,428
At 31 December 2013	11,774,940	14,812,968	580,514	1,172,474	1,110,792	936,204	134,481	30,522,373
Accumulated amortisation and impairment:								
Balance at 1 January 2013	521,185	62,212	290,791	712,366	424,846	307,365	-	2,318,765
Impairment and amortisation charge for the year (see note 8)	352,599	55	55,843	127,028	89,515	67,644	-	692,684
Relating to disposals during the year	(6,476)	(2,720)	(970)	(630)	-	(161)	-	(10,957)
Translation differences	2,249	2,250	751	(729)	-	5,070	-	9,591
At 31 December 2013	869,557	61,797	346,415	838,035	514,361	379,918	-	3,010,083
Net book value:								
At 31 December 2013	10,905,383	14,751,171	234,099	334,439	596,431	556,286	134,481	27,512,290

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangible assets
A significant proportion of goodwill and other intangible assets of the Group relate to Emirates NBD PJSC, Emirates, Dnata, Borse Dubai Limited, Dubai Aerospace Enterprise Limited and D-Clear Europe Limited. Significant assumptions used by the management in carrying out impairment testing of such assets are as follow:

(a) Emirates NBD PJSC
The goodwill acquired through business combinations with indefinite lives is reviewed annually for impairment by comparing the recoverable amount based on value-in-use calculations for CGUs to which goodwill has been allocated with their carrying values.

The goodwill has been allocated to following CGUs:

• Corporate banking
• Consumer banking
• Treasury
• Emirates NBD Egypt

The recoverable amount of the CGUs has been determined based on a value in use calculation, using cash flow projections covering a five-year period and applying a terminal growth rate thereafter.

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

• Interest margins;
• Discount rates;
• Market share during the projection period;
• Projected growth rates used to extrapolate cash flows beyond the projection period;
• Current local Gross Domestic Product ("GDP"); and
• Local inflation rates.

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are changed over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital ("WACC").

Projected growth rate, GDP and local inflation rates
Assumptions are based on published industry research.

At 31 December 2014, the goodwill allocated to Corporate Banking was AED 3,364 million (2013: AED 3,364 million), the goodwill allocated to Consumer Banking was AED 1,700 million (2013: AED 1,700 million), the goodwill allocated to Treasury was AED 206 million (2013: AED 206 million), and the goodwill allocated to Emirates NBD Egypt was AED 135 million (2013: AED 135 million).

The recoverable amount of goodwill of CGUs has been determined on the basis of value in use calculation using cash flow projections covering a five year period, with a terminal growth rate of 2% applied thereafter. The forecast cash flows have been discounted at a rate of 13.5%. A one percent increase in the discount rate or one percent decrease in the terminal growth rate would reduce the recoverable amount of the CGUs as mentioned in the table below:

Cash generating units	**One percent increase in discount rate (AED million)**	**One percent decrease in in terminal growth rate (AED million)**
Corporate Banking	4,253	2,789
Consumer Banking	2,646	1,752
Treasury	299	196
Emirates NBD Egypt	233	146

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangible assets (continued)

(b) Emirates

For the purpose of impairment testing of goodwill the recoverable amounts for cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a three year period. Cash flows beyond the three year period have been extrapolated using the terminal growth rates stated below. The key assumptions used in the value in-use calculations include a risk adjusted pre-tax discount rate, gross margins consistent with historical trends and growth rates based on management's expectations for market development. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units operate. Any reasonably possible changes to the assumptions will not lead to an impairment. The goodwill allocated to the cash generating unit or group of cash generating units and the key assumptions used in the value-in-use calculations are as follows:

Cash generating units	Location	Goodwill (AED million) 2014	2013	Discount rate %	Gross margin %	Terminal growth rate %
Consumer goods	UAE	159	159	12	25	4
In-flight catering	UAE	369	369	12	34	4
Food and beverage	UAE	25	25	12	22	4
Food and beverage	Australia	3	4	12	22	4
		556	557			

(c) Dnata

For the purpose of impairment testing of goodwill, the recoverable amounts for cash generating units or group of cash generating units have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three to five years. Cash flows beyond such period have been extrapolated using terminal growth rates stated below. The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate, gross margins consistent with historical trends and growth rate based on management's expectations for market development. The growth rate does not exceed the long term average growth rate for the markets in which the cash generating units or group of cash generating units operate. The goodwill allocated to cash generating units or group of cash generating units and the key assumptions used in the value-in-use calculations are as follows:

Cash generating units	Location	Goodwill (AED million) 2014	2013	Discount rate %	Gross margin %	Terminal growth rate %
Airport services	Singapore	94	98	7.0	21.5	3.0
Airport services	Switzerland	252	280	6.0	6.7	1.5
Airport services	Australia	30	34	10.0	22.0	3.0
In-flight catering group	UK	523	553	8.0	14.5	1.5
Online travel services	UK	531	561	9.0	8.0	1.5
Travel services	UK	202	-	9.0	8.0	1.5
Travel services	UAE	3	3	-	-	-
		1,635	1,529			

The recoverable value of cash generating units or group of cash generating units would not fall below their carrying amount with a 1% reduction in terminal growth rate or a 1% increase in the discount rate.

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangible assets (continued)

(d) Borse Dubai Limited

Goodwill relating to Borse Dubai Limited has a carrying value of AED 2,883 million (2013: AED 2,883 million). Management has allocated the entire goodwill to the Dubai Financial Market ("DFM"), a subsidiary of Borse Dubai Limited. There was no indication of impairment of such goodwill at 31 December 2014 and 31 December 2013 as DFM's quoted market price at 31 December 2014 and 2013 was higher than the carrying amount of DFM at the respective dates.

e) Dubai Aerospace Enterprise Limited

Goodwill relating to DAE has a carrying value of AED 3,651 million (2013: AED 3,651 million). As at 31 December, the recoverable amount of the goodwill was determined based on a value-in-use calculation using cash flow projections from financial plans, covering a six year period. The average gross margin used in these plans is 14% (2013: 16%), which is based upon historical results. The pre-tax discount rate applied to these cash flow projections is 10% per annum (2013: 10% per annum), reflecting the Group's estimate of risks specific to the business. Cash flows beyond the six year period were extrapolated using a growth rate of approximately 2% per annum (2013: 2% per annum) based upon historical growth results of existing business lines. Based on the results of this analysis, the Group determined that the carrying value of the goodwill is not impaired as of 31 December 2014 and 31 December 2013.

f) D-Clear Europe Limited

Goodwill relating to D-Clear has a carrying value of AED 679,214 thousand (2013: AED 722,800 thousand). The Group considers that goodwill relates to one of D-Clear's subsidiaries and hence it is considered as the CGU.

Management has performed value in use calculations using cash flow projections for this subsidiary of the Group from a forecast for the year to 31 December 2015. Beyond that date, cash flow projections are extrapolated to reflect an improvement in trading performance for a further two years to December 2017. The pre-tax rate discount rate applied to the cash flow projections is 10.9% per annum (2013: 10.9% per annum) and cash flows beyond December 2017 are extrapolated using a 1.5% per annum (2013: 1.5% per annum) growth rate. Based on the results of this analysis, management has concluded that no impairment is required for the year ended 31 December 2014 and 31 December 2013.

13 INVESTMENT PROPERTIES

	2014	*2013*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**9,435,324**	9,316,390
Additions during the year	**1,146,554**	444,801
Transfers from / (to) property, plant and equipment (see note 11)	**21,431**	(7,602)
Transfers from development properties (see note 14)	**393,314**	30,041
Transfers to inventories	**(188,843)**	(77,629)
Disposals during the year	**(148,439)**	(270,677)
At 31 December	**10,659,341**	9,435,324
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**2,036,344**	1,944,084
Depreciation and impairment charge for the year (see note 8)	**749,075**	117,994
Reversal of impairment loss recognised previously against the value of the investment property (see note 3)	**(70,247)**	(3,000)
Transfers from property, plant and equipment (see note 11)	**7,347**	-
Relating to disposals during the year	**(64,428)**	(22,734)
At 31 December	**2,658,091**	2,036,344
Net book value:		
At 31 December	**8,001,250**	7,398,980

13 INVESTMENT PROPERTIES (continued)

13.1 The fair values of investment properties as at the end of the reporting period have been determined internally by management. As at the reporting date, management has concluded based on an internal assessment, that the fair value of investment properties is not materially different from their carrying values. The fair value measurement of investment properties has been catagorised as a level 3 fair value based on the inputs of valuation techniques used. Any significant movement in the assumptions used for the fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower / higher fair value of those assets.

13.2 In 2010, one of the Group's subsidiaries entered into a sale and purchase agreement with a related party (the "Buyer") to sell certain investment properties with a carrying value of AED 5,635,135 thousand.

In accordance with such agreement, the transfer of title to these investment properties was to be completed within a period of six months from the date of the agreement (1 December 2010) or at a mutually agreed date between the Group and the Buyer. As at 31 December 2014, management is in the process of transferring the title to the investment properties in the name of the Buyer and is holding the title to the investment properties for the sole benefit of the Buyer with effect from 1 December 2010 until the transfer of title is complete.

13.3 During 2011, one of the subsidiaries of the Group (the "Seller") entered into a sale and purchase agreement ("Agreement") with a related party (the "Purchaser") to sell investment properties with a carrying value of AED 680,744 thousand and other assets with a carrying value of AED 462,132 thousand.

Subsequently, effective 31 December 2012, the Seller entered into an additional asset purchase agreement (the "Supplemental Agreement") with the Purchaser to sell certain additional assets. Subsequent to this agreement, the sale consideration receivable amounts to AED 1,802,358 thousand as at 31 December 2014 (2013: AED 2,050,562 thousand). The sale during 2012 related to Islamic financing and investing products.

During 2012 and 2013, a variation agreement (the "Variation Agreement") was signed between the Seller and the Purchaser to extend the registration date for transfer of such properties, as defined in the original Agreement, to 31 December 2013. During the current year, this Variation Agreement was further extended till 31 December 2015. During 2014, the Seller made a payment of AED 29 thousand (2013:AED 68,240 thousand) on behalf of the Purchaser and treated this as receivable from the Purchaser.

The amount receivable in respect of the above two sale agreements (see notes 13.2 and 13.3) is classified as amount due from related parties in these consolidated financial statements. Management has considered the recoverability of such receivables and is confident that it is recoverable in view of the fact that the related party purchaser is wholly owned by the Government.

14 DEVELOPMENT PROPERTIES

	2014 ***AED'000***	*2013* *AED'000*
Cost:		
Balance at the beginning of the year	**564,284**	407,835
Additions during the year	**482,772**	319,794
Transfers to property, plant and equipment (see note 11)	**(72,160)**	(43,140)
Transfers to cost of revenues	**(25,805)**	(104,281)
Transfers to investment properties (see note 13)	**(393,314)**	(30,041)
Net movement in capital advances during the year	**(18,313)**	14,117
At 31 December	**537,464**	564,284
Accumulated impairment:		
Balance at the beginning of the year	**88,270**	87,031
(Reversal) / impairment during the year (see notes 3 and 8)	**(42,670)**	1,239
At 31 December	**45,600**	88,270
Net book value:		
At 31 December	**491,864**	476,014

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2014 ***AED'000***	*2013* *AED'000*
Investments in associates	**23,531,975**	27,771,503
Investments in joint ventures	**14,490,711**	3,561,765
	38,022,686	31,333,268

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Movement in investments in associates and joint ventures during the year is as follows:

	2014 ***AED'000***	*2013* *AED'000*
Balance at the beginning of the year	**31,333,268**	31,462,632
Investments made during the year (see note (a) and 23)	**10,916,976**	77,274
Arising from business combination (see note 10)	**-**	2,869
Share of results of associates and joint ventures - net	**4,656,750**	2,497,841
Share of results of associates and joint ventures related to a subsidiary held for sale (see note 23)	**-**	28,783
Dividends received	**(3,785,547)**	(1,163,945)
Dilution / deemed disposal of investments during the year	**(226,422)**	70,425
Gain on dilution of investment in an associate's subsidiary (see note (b))	**984,842**	-
Conversion to subsidiary	**(13,375)**	(48,899)
Impairment on investments in associates and joint ventures – net (see note 4)	**(406,899)**	(50,025)
Disposal of stake in an indirect associate (see note (c))	**(711,021)**	(192,957)
Transfer to assets held for sale (see note 23)	**-**	(1,541,155)
Transfer to marketable securities (see note (c))	**(3,970,569)**	-
Amounts recognised directly in equity		
- Translation difference	**(152,522)**	(75,153)
- Cumulative changes in fair value	**(510,820)**	344,993
- Others	**(91,975)**	(79,415)
At 31 December	**38,022,686**	31,333,268

a) This includes investment in Kerzner International Holdings Limited during the year amounting to AED 1,292,536 thousand classified as investment in associate (see note 41).

b) During 2014, an associate of the Group sold 2,000,000,000 shares (face value of AED 1 per share) of its subsidiary, Emaar Malls Group LLC ("EMG LLC"), representing 15.37% of the associate's investment in EMG LLC, through a secondary offering of shares in an Initial Public Offering ("IPO") and raised AED 5,800,000 thousand. Subsequent to the IPO, Group's share of profit on sale of EMG LLC's shares of AED 984,842 thousand (net of direct costs incurred) has been directly recognised in the retained earnings.

c) During 2014, a subsidiary of the Group sold a portion of its holding in its associate, London Stock Exchange ("LSE") and subsequently subscribed to rights shares issued by LSE. The net effect of these transactions led to a decrease in the Group's investment in LSE from 20.65% to 17.40%, and therefore the loss of the ability of the Group to exercise significant influence over LSE.

Consequently, the investment in LSE was reclassified from investment in associate to available-for-sale investments, thus resulting in the recognition of the following amounts in the consolidated income statement:

	2014 ***AED'000***
Profit on partial disposal of investment	**313,092**
Gain on reclassification from investment in associate to available-for-sale investments	**1,839,543**
Reserves recycled to the consolidated income statement	**414,863**
Day 1 gain on additional shares purchased	**465,560**
Gain on disposal of stake in an indirect associate (see note 3)	**3,033,058**

Subsequent to year end, the subsidiary sold its remaining investment in LSE for the equivalent of AED 7.35 billion (USD 2 billion).

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

During 2013, a banking subsidiary of the Group sold 32.6% of its stake in its associate, Union Properties P.J.S.C. resulting in a decrease in the Group shareholdings in such associate from 47.6% as at 31 December 2012 to 15% at 31 December 2013. As a result of such disposal, the Group no longer held significant influence in Union Properties P.J.S.C. and had discontinued equity accounting for such investment. Such investment was classified as available-for-sale investment as at 31 December 2013.

The difference between the carrying value of the investment in associate and sale proceeds on disposal of investment and fair value of the remaining investment (on the date the Group discontinued equity accounting) was recorded as "Other Income" in the consolidated income statement (see note below).

Gain on disposal of stake in an indirect associate

	2013 *AED'000*
Sale proceeds on disposal of investment in an indirect associate	449,052
Add : fair value of the remaining investment (on the date the Group discontinued equity accounting for such investment)	273,141
Less: carrying value of the investment in associate as at 1 January 2013	(242,982)
Gain on disposal of stake in an indirect associate (see note 3)	479,211

d) The following table summarises the statement of financial position of the Group's material associates and joint ventures as at 31 December 2014:

	Emaar Properties PJSC** AED'000	***Dubai Islamic Bank PJSC** AED'000***	***Nasdaq OMX Group Inc.** AED'000***	***Emirates Global Aluminium PJSC* AED'000 (see note 23)***
Total assets	74,179,256	123,620,274	45,180,450	51,872,652
Total liabilities	(38,548,682)	(106,181,275)	(22,726,200)	(32,494,270)
Net assets	**35,630,574**	**17,438,999**	**22,454,250**	**19,378,382**
Group's share of net assets	**9,076,408**	**3,233,835**	**3,960,930**	**9,689,191**

* The difference between Group's carrying value of investment in joint venture and Group's share of net assets of joint venture predominantly relates to difference between carrying value of net assets and its fair value at the time of acquisition of such joint venture.

** The difference between Group's carrying value of investment in these associates and Group's share of net assets of above associates, where applicable, predominantly relates to goodwill and intangible assets included in the Group's carrying value of such associate.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and joint ventures for the year ended 31 December 2014:

	Emaar Properties PJSC	***Dubai Islamic Bank PJSC***	***Nasdaq OMX Group Inc.***	***Emirates Global Aluminium PJSC***
	AED'000	***AED'000***	***AED'000***	***AED'000 (see note 23)***
Revenue	9,893,205	5,970,935	12,895,575	15,834,677
Profit for the year	**3,293,205**	**2,357,273**	**1,514,100**	**3,046,530**
Other comprehensive income for the year	(142,293)	69,968	(2,260,125)	(19,413)
Total comprehensive income for the year	**3,150,912**	**2,427,241**	**(746,025)**	**3,027,117**
Group's share of total comprehensive income for the year	**866,359**	**677,552**	**(131,599)**	**1,513,559**
Dividend paid to the Group during the year	**2,742,984**	**275,917**	**62,475**	**-**

f) The following table summarises the statement of financial position of the Group's material associates as at 31 December 2013:

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc. AED'000*	*London Stock Exchange plc * AED'000 (see note 15 (c))*
Total assets	64,931,931	113,021,353	47,003,250	24,249,741
Total liabilities	(30,198,939)	(96,946,249)	(23,086,350)	(12,690,448)
Net assets	34,732,992	16,075,104	23,916,900	11,559,293
Group's share of net assets	10,117,644	2,963,663	4,204,591	2,386,994

The difference between Group's carrying value of investments in these associates and Group's share of net assets of above associate, where applicable, predominantly relates to goodwill and intangible assets included in the Group's carrying value of such associate.

* The assets and liabilities do not include central counterparty balances amounting to AED 3,410,172 million which are included in both assets and liabilities in the London Stock Exchange plc. financial statements.

g) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates for the year ended 31 December 2013:

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc. AED'000*	*London Stock Exchange plc. AED'000 (see note 15 (c))*
Revenue	10,328,472	5,210,393	11,782,050	6,641,405
Profit for the year	2,568,136	1,473,881	1,396,500	428,863
Other comprehensive income for the year	(30,983)	193,807	290,325	651,481
Total comprehensive income for the year	2,537,153	1,667,688	1,686,825	1,080,344
Group's share of total comprehensive income for the year	745,416	477,459	296,544	223,091
Dividend paid to the Group during the year	178,964	169,795	55,125	96,605

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

h) The following table summarises the Group's share of results in other immaterial associates for the year:

	2014 ***AED'000***	*2013* *AED'000*
Profit for the year	**712,345**	582,503
Other comprehensive income for the year	**(34,890)**	37,948
Group's share of total comprehensive income for the year	**677,455**	620,451
Carrying amount of the Group's interest	**5,671,719**	4,043,837

i) The following table summarises the Group's share of results in other immaterial joint ventures for the year:

	2014 ***AED'000***	*2013* *AED'000*
Profit for the year	**525,923**	454,844
Other comprehensive income for the year	**(1,953)**	(27,421)
Group's share of total comprehensive income for the year	**523,970**	427,423
Carrying amount of the Group's interest	**3,829,221**	3,561,766

j) The market values, as at 31 December, of the Group's interest held in various associates which are quoted, are as under:

	2014 ***AED'000***	*2013* *AED'000*
Emaar Properties PJSC	**14,292,077**	13,672,861
Dubai Islamic Bank PJSC	**7,615,321**	6,067,354
Commercial Bank of Dubai PSC	**2,914,843**	1,932,358
Emirates Refreshment PSC	**29,340**	32,700
Dubai Development Company PSC	**6,000**	5,600
Nasdaq OMX Group Inc.	**5,247,900**	4,354,875
London Stock Exchange Plc. (see note 15 (c))	-	5,905,725

The carrying value of the above associates is AED 19,434,102 thousand (2013: AED 25,176,502 thousand).

All the associates and joint ventures of the Group have been tested for impairment on an individual basis using value-in-use models where their market value was less than their carrying value and any resulting impairment losses have been recorded in the consolidated income statement.

16 INVESTMENTS IN MARKETABLE SECURITIES

	2014 ***AED'000***	*2013* *AED'000*
Available-for-sale investments		
Equities – quoted	**14,531,240**	5,766,536
Equities – unquoted	**2,688,096**	2,724,988
Sovereign bonds	**7,233,955**	5,958,068
Corporate bonds	**4,254,804**	6,077,144
Others (including mutual funds)	**1,010,908**	1,421,153
	29,719,003	21,947,889
Held-to-maturity investments		
Corporate bonds	**995,519**	779,601
Sovereign bonds	**154,283**	316,818
	1,149,802	1,096,419
Fair value through profit or loss		
Equities	**420,964**	476,160
Hybrid instruments	**31,720**	26,674
Sovereign bonds	**151,481**	151,838
Corporate bonds	**547,037**	873,087
Others (including mutual funds)	**627,847**	1,037,553
	1,779,049	2,565,312
Total investments in marketable securities	**32,647,854**	25,609,620

	2014 ***AED'000***	*2013* *AED'000*
Disclosed as follows:		
Non-current assets	**29,125,832**	21,255,750
Current assets	**3,522,022**	4,353,870
	32,647,854	25,609,620

The change in fair value of investments in marketable securities during the year is as follows:

	2014 ***AED'000***	*2013* *AED'000*
Change in fair value of available-for-sale investments recognised in equity	**1,431,853**	2,188,423
Change in fair value of investments classified as fair value through profit or loss (see note 3)	**103,710**	106,677

The available-for-sale investments include securities with carrying value of AED 35,369 thousand (2013: AED 67,129 thousand) that have been pledged under a repurchase agreement (see note 34).

16 INVESTMENTS IN MARKETABLE SECURITIES (continued)

As at year end, the Group holds the following financial instruments measured at fair value:

	31 December 2014 AED'000	***Financial instruments carried at fair value***		
		Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***
Available-for-sale investments	**29,719,003**	**22,019,591**	**4,742,699**	**2,956,713**
Fair value through profit or loss	**1,779,049**	**1,586,212**	**95,516**	**97,321**
Derivative financial instruments - net (see note 29)	**(257,785)**	**505,446**	**(677,540)**	**(85,691)**
	31,240,267	**24,111,249**	**4,160,675**	**2,968,343**

	31 December 2013 AED'000	*Financial instruments carried at fair value*		
		Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*
Available-for-sale investments	21,947,889	13,332,465	5,458,431	3,156,993
Fair value through profit or loss	2,565,312	2,224,481	213,350	127,481
Derivative financial instruments - net (see note 29)	(332,033)	(37,673)	(295,036)	676
	24,181,168	15,519,273	5,376,745	3,285,150

During the financial year ended 31 December 2014, available-for-sale financial assets with a carrying amount of AED Nil (2013: AED 151 million) were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. In order to determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There have been transfers from Level 2 to Level 1 amounting to AED Nil (2013: AED 80 million) during the year 2014.

The following table shows a reconciliation of the opening and closing amounts of investments classified within Level 3 of the fair value hierarchy:

	2014 AED'000	*2013 AED'000*
Balance at the beginning of the year	**3,285,150**	3,297,018
Investments made during the year	**(5,172)**	429,972
Settlements / disposals of investment during the year	**(228,484)**	(706,508)
Arising on business combinations (see note 10 (a))	**(179,601)**	-
Fair value movement during the year taken to consolidated income statement	**(73,563)**	9,592
Fair value movement during the year taken to statement of other comprehensive income	**195,603**	(18,465)
Net transfers (to) / from Level 1 and Level 2	**(25,590)**	273,541
At 31 December	**2,968,343**	3,285,150

17 OTHER NON-CURRENT ASSETS

	2014 *AED'000*	*2013* *AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 17.1 and 37 (b))	**13,355,559**	11,139,583
Loans to / receivables from associates and joint ventures (see note 37 (b))	**4,535,404**	95,554
Fair value of guarantee from a related party (see notes 17.2 and 37 (b))	**2,000,000**	2,000,000
Advance lease rentals (see note 17.3)	**844,675**	872,901
Long term retentions	**542,880**	454,558
Other receivables	**1,018,601**	895,180
	22,297,119	15,457,776
Less: provision for impairment (see note 17.4)	**(415,578)**	(520,013)
	21,881,541	14,937,763

17.1 One of the subsidiaries of the Group is required to provide retail gasoline at a fixed price in the UAE. Included in the amounts receivable from related party is an amount of AED 11,664,450 thousand (2013: AED 10,053,723 thousand) due from the Government representing a receivable in respect of such cost overruns, of which the cost overrun for 2014 is AED 2,110,920 thousand (2013: AED 2,412,270 thousand) and the balance represent amounts due in respect of cost overruns for previous years since 2008, under the terms of a government grant. Accordingly, an amount of AED 2,110,920 thousand (2013: AED 2,412,270 thousand) has been adjusted against product purchases (cost of revenue) in the consolidated income statement. The outstanding receivable is subject to interest at the rate of EIBOR plus 150 basis points per annum. The interest on outstanding receivable for the year ended 31 December 2014 amounted to AED 263,505 thousand (2013: AED 238,875 thousand).

17.2 In connection with the acquisition of Dubai Bank, the Government has provided a guarantee up to AED 2 billion for 7 years from the date of acquisition for any losses relating to the assets and liabilities that existed on the date of acquisition (the "Guranatee"). In 2013, the claims under the Guarantee reached the maximum limit of AED 2 billion. Subsequent to year end, the full amount of the Guarantee amounting to AED 2 billion was settled.

17.3 Movement in advance lease rentals:

	2014 *AED'000*	*2013* *AED'000*
Balance at the beginning of the year	**1,036,233**	943,942
Additions during the year	**140,733**	255,112
Charge for the year (see note 8)	**(175,340)**	(161,901)
Translation differences	**(952)**	(920)
At 31 December	**1,000,674**	1,036,233

Advance lease rentals will be charged to the consolidated income statement as follows:

	2014 *AED'000*	*2013* *AED'000*
Within one year (see note 19)	**155,999**	163,332
After one year	**844,675**	872,901
	1,000,674	1,036,233

Advance lease rentals are non - refundable in the event of the related lease being terminated prior to its expiry.

17 OTHER NON-CURRENT ASSETS (continued)

17.4 Movements in provision for impairment during the year are as follows:

	2014 AED'000	*2013 AED'000*
Balance at the beginning of the year	**520,013**	520,013
Allowance for impairment made during the year (net of recoveries of AED 396,263 thousand) (see note 4)	**19,315**	-
Amounts written-off during the year	**(123,750)**	-
At 31 December	**415,578**	520,013

18 INVENTORIES

	2014 AED'000	*2013 AED'000*
Finished goods / inventory property	**5,519,696**	6,855,906
Raw materials	**1,437,999**	1,404,106
Spare parts and consumables	**1,010,667**	911,636
Work-in-progress	**497,000**	400,766
Engineering	**734,917**	668,096
Goods in-transit	**457,755**	1,988
Consumer goods	**377,994**	328,960
Others	**229,728**	196,489
	10,265,756	10,767,947
Less: provision for slow moving and obsolete inventories	**(589,099)**	(169,437)
	9,676,657	10,598,510

19 TRADE AND OTHER RECEIVABLES

	2014 *AED'000*	*2013* *AED'000*
Trade receivables	**11,915,553**	13,013,929
Contract receivables	**329,486**	16,865
Retentions receivable - current portion	**32,298**	52,474
Prepayments and other receivables	**8,832,093**	5,830,247
Amounts receivable from Government, MOF and other related parties (see note 37 (b))	**8,341,259**	8,254,000
Amounts receivable from associates and joint ventures (see note 37 (b))	**1,067,281**	1,097,710
Accrued interest receivable	**1,440,076**	2,071,786
Advances to suppliers	**37,944**	67,347
Operating lease deposits	**500,321**	600,625
Advance lease rentals (see note 17.3)	**155,999**	163,332
	32,652,310	31,168,315
Less: provision for impairment of receivables (see note below)	**(647,433)**	(507,050)
	32,004,877	30,661,265

Movements in provision for impairment of trade/contract receivables during the year are as follows:

	2014 *AED'000*	*2013* *AED'000*
Balance at the beginning of the year	**507,050**	565,169
Charge for the year (see note 4)	**306,997**	144,617
Amounts written off	**(105,061)**	(85,001)
Reversal during the year (see note 4)	**(59,913)**	(107,699)
Transfer to asset held for sale	-	(9,456)
Translation differences	**(3,180)**	(580)
Other movements	**1,540**	-
At 31 December	**647,433**	507,050

Charge for 2014 includes an amount of AED Nil (2013: AED 3,292 thousand), which forms part of discontinued operations (see note 23).

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2014 *AED'000*	*2013* *AED'000*
Murabaha	**23,931,322**	18,763,490
Ijara	**11,723,507**	12,084,157
Wakala	**9,982,541**	7,498,974
Mudaraba	**28,488**	-
Istisna'a	**1,084,847**	1,227,003
Secured overdraft and credit cards receivable	**493,301**	859,108
Others	**993,647**	1,610,960
	48,237,653	42,043,692
Less: Deferred income	**(2,466,395)**	(2,200,957)
Less: Allowance for impairment (see note below)	**(3,822,473)**	(3,427,860)
	41,948,785	36,414,875
Total of impaired Islamic financing and investment products	**4,910,387**	6,482,224

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 1,068,407 thousand (2013: AED 1,168,232 thousand) due from Government, MOF and other related parties and AED 5,392,673 thousand (2013: AED 2,708,467 thousand) due from associates and joint ventures (see note 37 (b)).

Corporate Ijara assets amounting to AED 3.7 billion (2013: AED 3.7 billion) were securitised for the purpose of issuance of Sukuks (see note below).

	2014 AED'000	*2013 AED'000*
Analysis by economic activity:		
Services and personal loans	**23,210,614**	20,018,523
Construction and real estate	**7,651,657**	9,238,544
Trade	**2,276,885**	1,901,555
Financial services	**11,505,468**	8,116,660
Transport and communication	**729,069**	306,469
Manufacturing	**802,976**	755,882
Agriculture and allied activities	**6,172**	7,560
Others	**2,054,812**	1,698,499
	48,237,653	42,043,692
Less: Deferred income	**(2,466,395)**	(2,200,957)
Less: Allowance for impairment (see note below)	**(3,822,473)**	(3,427,860)
	41,948,785	36,414,875
Disclosed as follows:		
Non-current assets	**26,715,715**	22,793,942
Current assets	**15,233,070**	13,620,933
	41,948,785	36,414,875

Movement in allowance for impairment:

	2014 AED'000	*2013 AED'000*
Balance at the beginning of the year	**3,427,860**	2,085,951
Allowance for impairment made during the year (net of recoveries (see note 4))	**1,377,781**	1,287,475
Write-offs during the year	**(983,168)**	(11,291)
Transfer from allowance for impairment against loans and receivables (see note 21)	**-**	65,725
At 31 December	**3,822,473**	3,427,860

Securitisation of Islamic Financing Receivables

During 2012, the Bank transferred certain identified ijara assets of AED 3.7 billion (the "co-owned assets") of its subsidiary, Emirates Islamic Bank, to EIB Sukuk company limited – (the "Issuer"), a special purpose vehicle formed for the issuance of the sukuk to raise two tranches of US Dollar denominated medium term finance amounting to USD 500 million each (totalling AED 3.7 billion) via a Sharia'a compliant sukuk financing arrangement. This medium term finance is carried at amortised cost. The sukuks are listed on the London Stock Exchange.

In substance, the co-owned assets remain in control of the Bank; accordingly these assets continue to be recognised by the Bank. In case of any default, the Bank has provided an undertaking to make good all losses to the sukuk holders. The sukuks will be due for maturity during January 2017 and June 2017 respectively. The assets are in the control of the Bank and shall continue to be serviced by the Bank.

The Issuer will pay a semi-annual distribution amount from returns received in respect of the co-owned assets. Such proceeds are expected to be sufficient to cover the semi-annual distribution amount payable to the sukuk holders on the semi-annual distribution dates. Upon maturity of the sukuk, the Bank has undertaken to repurchase the assets at the exercise price.

21 LOANS AND RECEIVABLES

Loans and receivables represent the receivables arising from the banking operations of the Group carried out through a banking subsidiary. The details of loans and receivables are as follows:

	2014 ***AED'000***	*2013* *AED'000*
Overdrafts	**87,116,930**	100,258,999
Time loans	**122,990,427**	101,060,092
Loans against trust receipts	**6,655,541**	4,629,788
Bills discounted	**3,172,386**	5,512,038
Credit card receivables	**3,726,677**	4,029,428
Others	**1,111,616**	1,118,074
	224,773,577	216,608,419
Other debt instruments	**143,317**	255,173
Less: allowance for impairment (see note below)	**(17,024,983)**	(17,338,010)
Net loans and receivables	**207,891,911**	199,525,582
Disclosed as follows:		
Non-current assets	**87,123,209**	71,590,011
Current assets	**120,768,702**	127,935,571
Net loans and receivables	**207,891,911**	199,525,582
Total of impaired loans and receivables	**15,800,839**	29,629,788

Loans and receivables include AED 107,127,284 thousand (2013: AED 91,961,293 thousand) due from Government, MOF and other related parties and AED Nil (2013: AED 45,619 thousand) due from associates and joint ventures (see note 37 (b)).

	2014 ***AED'000***	*2013* *AED'000*
Analysis by segment:		
Corporate banking	**180,767,585**	175,179,121
Consumer banking	**26,540,089**	23,758,807
Treasury	**45,328**	22,920
Others	**538,909**	564,734
	207,891,911	199,525,582
Analysis by economic activity:		
Services (includes financial services)	**28,048,485**	31,666,810
Personal	**30,052,875**	31,738,332
Sovereign	**105,864,659**	90,251,554
Construction and real estate	**36,634,688**	40,191,349
Manufacturing	**6,671,671**	6,535,350
Trade	**10,450,072**	8,771,954
Transport and communication	**5,125,345**	2,359,101
Mining and quarrying	**420,256**	453,443
Agriculture and allied activities	**71,022**	13,612
Others	**1,577,821**	4,882,087
Loans and receivables before allowance for impairment	**224,916,894**	216,863,592
Less: allowance for impairment (see note below)	**(17,024,983)**	(17,338,010)
Net loans and receivables	**207,891,911**	199,525,582

21 LOANS AND RECEIVABLES (continued)

Movement in allowance for impairment

	2014 AED'000	*2013 AED'000*
Balance at the beginning of the year	**17,338,010**	14,509,232
Allowance for impairment made during the year (net of recoveries of AED 867,980 thousand (2013: AED 180,773 thousand)) (see note 4)	**3,287,371**	3,114,744
Amounts written-off during the year	**(3,492,292)**	(127,733)
Interest unwind on impaired loans and receivables	**(87,136)**	(93,387)
Transfer to allowance for impairment against Islamic financing and investment products (see note 20)	**-**	(65,725)
Exchange and other adjustments	**(20,970)**	879
At 31 December	**17,024,983**	17,338,010

Loan Securitisation in Emirates NBD PJSC (the "Bank"), the banking subsidiary of the Group

Incorporation of Emirates NBD Asset Finance Companies in Ireland and Cayman Islands for asset securitisation.

On 8 June 2012, ENBD Asset Finance Company No.1 Limited and on 1 June 2012, ENBD Asset Finance Company No.2 Limited were incorporated under the respective Companies Law (Ireland and Cayman Islands) as Special Purpose Entities (SPEs). The principal activities of these companies are to purchase portfolios of loans through issuance of notes.

On 9 October 2012, the Bank transferred corporate loans and receivables amounting to AED 1,876 million to ENBD Asset Finance Company No.1 Limited (incorporated under Ireland companies law). However, the Bank retained substantially all of the credit risk and rewards associated with the transferred assets and hence the Bank continues to recognise these assets within loans and receivables and the transfers are accounted for as secured financing transactions. The associated liability of AED 1,876 million, secured by these assets, is included under debt issued and other borrowed funds and is carried at amortised cost. Further, the Bank through ENBD Asset Finance Company No.2 Limited (incorporated under Cayman Islands companies law), entered into a total return swap contract referencing these notes' liability, thereby retaining all the risks and rewards associated with the loan exposures.

Since the Bank is exposed to variable returns from its involvement in the SPEs and has the ability to affect those returns through its power over the SPEs, these SPEs are consolidated in compliance with IFRS 10.

As at 31 December 2014, the corporate loans and receivables balance transferred to Ireland SPE is AED 1,416 million (2013: AED 1,830 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 1,416 million (2013:AED 1,830 million).

Incorporation of Emirates NBD Auto Finance Limited and Emirates NBD Auto Financing Limited for asset securitisation

On 10 September 2009, Emirates NBD Auto Finance Limited ("APC") was incorporated under the Companies (Jersey) Law, 1991 and registered in Jersey as a limited company. The principal activity of the Company is to purchase portfolios of loans through the issuance of notes.

On 10 September 2009, Emirates NBD Auto Financing Limited ("Repack") was incorporated under the Companies (Jersey) Law, 1991 and registered in Jersey as a limited company. The principal activity of the Company is to invest in notes and securities through the issuance of notes.

21 LOANS AND RECEIVABLES (continued)

Loan Securitisation in Emirates NBD PJSC (the "Bank"), the banking subsidiary of the Group (continued)

Incorporation of Emirates NBD Auto Finance Limited and Emirates NBD Auto Financing Limited for asset securitisation (continued)

On 10 August 2010, the Bank transferred retail auto loans and receivables amounting to AED 968.5 million to APC (as at 31 December 2010). However, the Bank retained the credit risk associated with the transferred assets. Due to retention of the risks and rewards of the transferred assets, the Bank continues to recognise these assets within loans and receivables and the transfers are accounted for as secured financing transactions. The associated liability of AED 857 million, secured by these assets, was included under debt issued and other borrowed funds and is carried at amortised cost. Since the Bank is exposed to majority of ownership risks and rewards of these SPEs, these SPEs are consolidated in compliance with IFRS 10.

As at 31 December 2014, the auto loans and receivables balance transferred to APC is AED 405 million (2013: AED 806 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 254 million (2013: AED 628 million).

Consolidation of the Bank's Tranche of Emblem Finance Company No. 2 Limited (Multi-seller SPE) for asset securitisation

On 22 November 2010, the Bank transferred corporate loans and receivables amounting to AED 2,193 million (as at 31 December 2010) to Multi-seller SPE. However, the Bank retained substantially all of the credit risk and rewards associated with the transferred assets and hence the Bank continues to recognise these assets within loans and receivables and the transfers are accounted for as secured financing transactions. The associated liability of AED 2,193 million, secured by these assets, was included under debt issued and other borrowed funds and is carried at amortised cost.

Since the Bank is exposed to variable returns from its involvement in the SPEs and has the ability to affect those returns through its power over the SPEs, the Bank's tranche in the SPE is consolidated in compliance with IFRS 10.

As at 31 December 2014, the corporate loans and receivables balance transferred to Multi-seller SPE is AED 182 million (2013: AED 464 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 180 million (2013: AED 464 million).

22 CASH AND DEPOSITS WITH BANKS

	2014 *AED'000*	*2013* *AED'000*
Banking operations		
Cash and deposits with Central Bank of UAE ("Central Bank")		
Cash	**3,305,995**	3,635,096
Interest bearing placements with Central Bank	**1,918,037**	2,132,400
Interest free statutory and special deposits with Central Bank (see note below)	**24,643,090**	18,965,026
Interest bearing certificates of deposits with Central Bank (see note below)	**26,771,851**	13,622,475
Total (A)	**56,638,973**	38,354,997
Due from other banks		
Overnight, call and short notice	**5,466,711**	10,184,751
Time loans	**14,376,133**	10,438,041
Less: allowance for impairment	**(30,777)**	(35,630)
Total (B)	**19,812,067**	20,587,162
Total (C = A+B)	**76,451,040**	58,942,159
Non-banking operations		
Cash at banks and in hand	**5,081,374**	5,167,801
Placements with banks and other financial institutions	**737,685**	915,450
Short-term deposits	**38,703,494**	28,538,739
Total (D)	**44,522,553**	34,621,990
Total (C+D)	**120,973,593**	93,564,149
Disclosed as follows:		
Non-current assets	**2,615,477**	3,563,511
Current assets	**118,358,116**	90,000,638
	120,973,593	93,564,149

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents have been computed as explained below:

	2014 *AED'000*	*2013* *AED'000*
Cash and deposits with banks - current	**118,358,116**	90,000,638
Islamic financing and investment products with original maturity of less than three months	**6,965,877**	480,566
Due to banks (see note 28)	**(15,385,907)**	(23,637,377)
Bank overdrafts (see note 28)	**(545,276)**	(350,297)
	109,392,810	66,493,530
Due to banks with original maturity of more than three months	**3,846,645**	2,496,479
Deposits with Central Bank for regulatory purposes	**(24,643,090)**	(18,965,026)
Interest bearing certificates of deposits with Central Bank with original maturity of more than three months	**(6,750,000)**	(4,901,993)
Deposits with other banks with original maturity of more than three months	**(56,100,387)**	(29,944,094)
	25,745,978	15,178,896

22 CASH AND DEPOSITS WITH BANKS (continued)

The reserve requirements are kept with the Central Bank in AED and United States Dollars, and are not available for use in the Group's day to day operations and cannot be withdrawn without Central Bank's approval. The level of reserve required changes every month in accordance with the Central Bank's directives.

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE / DISCOUNTINUED OPERATIONS

On 3 June 2013, Dubal Holding LLC ("Dubal Holding"), a wholly owned subsidiary of the Group, and MDC Industry Holding Company LLC ("MDC Holding") entered into an agreement pursuant to which Dubal Holding and MDC Holding agreed to create Emirates Global Aluminium PJSC ("EGA") a jointly-held, equal ownership company to integrate the business of Dubai Aluminium ("DUBAL"), a then wholly owned subsidiary of the Group, and Emirates Aluminium Company Limited PJSC ("EMAL") (referred as the "Transaction"). As at 31 December 2013, various regulatory clearance and approvals were pending and accordingly investment in DUBAL was classified as an asset held for sale in the statement of financial position.

During 2014, the Transaction was completed and DUBAL was transferred to EGA.

a) The results and cash flows of the discontinued operations included in the Group's profit for the year end 31 December 2014 (until the date of disposal) and for the year ended 31 December 2013 are set out below:

	2014*	*2013*
	AED' million	*AED' million*
Revenue	**2,299**	9,500
Cost of revenues	**(1,862)**	(7,415)
Other income	**34**	162
General, administrative and other expenses	**(169)**	(753)
Net impairment losses on financial assets	**-**	(6)
Other finance income	**77**	338
Other finance costs	**(9)**	(62)
Share of results of associates and joint ventures (see note 15)	**28**	29
Profit for the year before income tax from discontinued operations	**398**	1,793
Income tax expense (see note 7)	**-**	(2)
Profit for the year from discontinued operations	**398**	1,791

The cash flow information of the discontinued operations of DUBAL for the year are set out below:

	2014*	*2013*
	AED' million	*AED' million*
Net cash generated from operating activities	**262**	2,323
Net cash generated from / (used in) financing activities	**311**	(4,665)
Net cash generated from investing activities	**225**	2,046

As DUBAL was disposed off during 2014, the assets and liabilities classified as held for sale are no longer included in the consolidated statement of financial position.

***** Represents activity prior to the completion of the Transaction (ie. part of the year) and hence not comparable to comparative information which represents activity for a full year.

23 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE / DISCOUNTINUED OPERATIONS (continued)

b) The major classes of assets and liabilities of disposal group classified as held for sale at 31 December 2013 were as follows:

	2013 ***AED' million***
Property, plant and equipment (see note 11)	**11,473**
Investments in associates and joint ventures (see note 15)	**1,541**
Other non-current assets	**4,669**
Cash and deposits with banks	**325**
Positive fair value of derivatives	**3**
Deferred tax asset	**4**
Inventories	**2,160**
Trade and other receivables	**1,450**
Assets of disposal group classified as held for sale	**21,625**
Employees' end of service benefits (see note 27)	**(187)**
Borrowings and lease liabilities	**(2,224)**
Negative fair value of derivatives	**(11)**
Other non-current payables	**(280)**
Trade and other payables	**(1,127)**
Liabilities of disposal group classified as held for sale	**(3,829)**

c) Profit for the period from discontinued operations

	AED' million
Net assets directly associated with disposal group classified as held for sale as at 31 December 2013	**17,796**
Add: profit during the period until disposal	**398**
Less: assets retained by the Group	**(5,057)**
Less: other adjustments	**(88)**
Carrying value of DUBAL on date of disposal	**13,049**
Consideration received (see below)	**16,139**
	3,090
Profit during the period until disposal (refer to note above)	**398**
Reserve relating to discontinued operations reclassified from other comprehensive income to consolidated income statement (see note 26)	**2,378**
Profit for the period from discontinued operations	**5,866**

The Group transferred the disposal group for a consideration of AED 16,139 million. The consideration was partly in cash amounting to AED 7,016 million and partly in the form of an investment in a joint venture (EGA) having a fair value of AED 9,123 million.

	AED' million
Consideration received	
Fair value of 50% stake in EGA (see note 15)	9,123
Cash	7,016
	16,139

24 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government, less returns made by ICD in cash or in kind. The movement in the capital of ICD during the year is as follows:

	2014 ***AED'000***	*2013* *AED'000*
Balance at the beginning of the year	**64,534,449**	64,534,449
Increase in capital during the year	**48,500**	-
At 31 December	**64,582,949**	64,534,449

25 DISTRIBUTION TO THE GOVERNMENT

Distributions totalling AED 2,765,429 thousand (2013: AED 2,233,182 thousand) were made to the Government.

26 OTHER RESERVES

	Legal and statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cost of share based payments AED'000*	*Cumulative changes in fair value AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2014	1,971,394	1,504,071	9,179,316	17,267	3,844,891	309,247	10,309	(1,054,977)	(176,576)	15,604,942
Unrealised gain / (loss) on available-for-sale investments (net)										
- ICD and its subsidiaries	-	-	-	-	1,092,945	-	-	-	-	1,092,945
- Associates and joint ventures	-	-	-	-	(448,222)	-	-	-	-	(448,222)
Realized (gain) on available-for-sale investments transferred to consolidated income statement on disposal										
- ICD and its subsidiaries	-	-	-	-	(259,677)	-	-	-	-	(259,677)
Gain / (loss) on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	249,591	-	-	-	-	249,591
- Associates and joint ventures	-	-	-	-	(8,585)	-	-	-	-	(8,585)
Foreign currency translation differences (net)										
- ICD and its subsidiaries	-	-	-	-	-	-	-	(262,065)	-	(262,065)
- Associates and joint ventures	-	-	-	-	-	-	-	(142,862)	-	(142,862)
Other reserves										
- Associates and joint ventures	-	-	-	-	-	-	-	-	(653)	(653)
Cash flow hedge reserve relating to discontinued operations reclassified to consolidated income statement (see note 23)	-	-	-	-	(2,378,077)	-	-	-	-	(2,378,077)
Reclassification of reserve to consolidated income statement upon dilution of investment in associates – net	-	-	-	-	(1,116,993)	-	-	780,356	-	(336,637)
Total income and expense for the year recognised directly in equity	-	-	-	-	(2,869,018)	-	-	375,429	(653)	(2,494,242)
Discontinued operations (see note 23)	-	-	-	-	2,378,077	-	-	-	-	2,378,077
Transfer from / (to) retained earnings	408,143	219,782	-	-	-	4,219	1,364	-	(2,969)	630,539
Other movements	(2)	4,367	(4)	-	562	-	-	(5)	8,758	13,676
Total at 31 December 2014	**2,379,535**	**1,728,220**	**9,179,312**	**17,267**	**3,354,512**	**313,466**	**11,673**	**(679,553)**	**(171,440)**	**16,132,992**

26 OTHER RESERVES (continued)

	Legal and statutory reserve AED'000	*Capital reserve AED'000*	*Merger reserve AED'000*	*Cost of share based payments AED'000*	*Cumulative changes in fair value AED'000*	*General reserve AED'000*	*Asset replacement reserve AED'000*	*Translation reserve AED'000*	*Others AED'000*	*Total AED'000*
Balance at 1 January 2013	1,668,262	1,482,398	9,179,316	17,267	3,350,027	309,247	9,141	(856,481)	(178,388)	14,980,789
Unrealised gain on available-for-sale investments (net)	-	-	-	-	2,024,295	-	-	-	-	2,024,295
- ICD and its subsidiaries	-	-	-	-	314,099	-	-	-	-	314,099
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Gain on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	507,426	-	-	-	-	507,426
- Associates and joint ventures	-	-	-	-	21,520	-	-	-	-	21,520
Foreign currency translation differences (net)										
- ICD and its subsidiaries	-	-	-	-	-	-	-	(46,443)	-	(46,443)
- Associates and joint ventures	-	-	-	-	-	-	-	(80,848)	-	(80,848)
Total income and expense for the year recognised directly in equity	-	-	-	-	2,867,340	-	-	(127,291)	-	2,740,049
Reserves of a disposal group classified as held for sale	-	-	-	-	(2,378,077)	-	-	-	-	(2,378,077)
Transfer from / (to) retained earnings	300,818	(577)	-	-	-	-	1,168	-	(8,048)	293,361
Change in ownership	-	(2,194)	-	-	-	-	-	-	(55)	(2,249)
Other movements	2,314	24,444	-	-	5,601	-	-	(71,205)	9,915	(28,931)
Total at 31 December 2013	1,971,394	1,504,071	9,179,316	17,267	3,844,891	309,247	10,309	(1,054,977)	(176,576)	15,604,942

26 OTHER RESERVES (continued)

Legal and statutory reserve
In accordance with the Articles of Association of various entities in the Group, and the UAE Commercial Companies Law of 1984 (as amended), the entities, as applicable, are required to transfer 10% of the annual profits for the year to a non-distributable legal reserve and such transfers may be discontinued when the reserve equals 50% of the paid up capital of the respective entities incorporated under UAE Commercial Companies Law of 1984 (as amended). The transfer of legal reserve made in the consolidated statement of changes in equity represents the transfers made by the entities net of legal reserve written back due to reclassification/disposal of subsidiaries.

Capital reserve
Capital reserve mainly includes AED 1,447,234 thousand (2013: AED 1,447,234 thousand) in respect of the Group's share of reserve capitalised by two subsidiaries. The capital reserve is non-distributable.

Merger reserve
Merger reserve mainly includes amounts relating to:

- Borse Dubai Limited
- Emirates NBD PJSC
- Aswaaq LLC
- National Bonds PJSC

In 2007, the Government transferred the ownership of Dubai Financial Market ("DFM") (80% shareholding) and NASDAQ Dubai Limited ("NASDAQ Dubai") (formerly Dubai International Financial Exchange Limited) (100% shareholding) to Borse Dubai Limited ("Borse Dubai"), without any consideration. This transaction was a common control transaction and was accounted for using the pooling of interest method. Since no consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai, the entire amount of issued and paid up share capital of the two entities was recognised as a merger reserve in equity in these consolidated financial statements.

In 2007, the merger of Emirates Bank International PJSC and National Bank of Dubai PJSC into Emirates NBD PJSC, resulted in a merger reserve of AED 3,460,860 thousand.

In accordance with Emiree Decree No. 35 of 2011 passed by the Government, a 99% ownership interest in Aswaaq LLC ("Aswaaq"), a limited liability company registered in the Emirate of Dubai on 12 October 2009 under UAE Commercial Companies Law of 1984 (as amended) was transferred to ICD against consideration of AED 99,000 thousand. This transaction was a common control transaction and was accounted for under the pooling of interest method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 91,827 thousand was recognised in merger reserve.

During prior years, the other shareholders of National Bonds Corporation PJSC, resolved to transfer their entire shareholding in National Bonds Corporation PJSC with immediate effect to the Group. This transaction was a common control transaction and was accounted for under the pooling of interest method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 595,639 thousand was recognised in merger reserve.

Translation reserve
Translation reserve comprises of foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investments in foreign subsidiaries.

27 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the employee's end of service benefits recognised in the consolidated statement of financial position are as follows:

	2014 ***AED'000***	*2013* *AED'000*
Balance at beginning of the year	**1,858,302**	1,548,695
Provision made during the year	**937,555**	859,973
End of service benefits paid	**(697,338)**	(643,925)
Actuarial loss on defined benefit plans	**187,114**	315,858
Arising on business combination (see note 10)	**29,215**	-
Other movements	**7,632**	(35,491)
Transfer to liabilities directly associated with disposal group classified as held for sale (see note 23)	**-**	(186,808)
At 31 December	**2,322,480**	1,858,302
Less: current portion	**(4,146)**	(1,223)
Non-current portion	**2,318,334**	1,857,079

Employees' Pension Scheme
Eligible UAE National employees of the Group are entitled to join the pension scheme operated for UAE National employees by the UAE General Pension and Social Security Authority (the "Pension Authority"). Accordingly, contributions for the period for eligible UAE National employees were made to the Pension Authority, in accordance with the provisions of Federal Law No. (7) of 1999 relating to Pension and Social Security and charged to the consolidated income statement.

Defined benefit obligations
In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 2% - 5% (2013: 2% - 5%) per annum and a discount rate of 1.90% - 5% (2013: 3.50% - 5%) per annum. The present values of the defined benefit obligations at 31 December were computed using the actuarial assumptions set out above.

The liabilities recognised in the consolidated statement of financial position are:

	2014 ***AED'000***	*2013* *AED'000*
Present value of funded defined benefit obligations	**2,374,318**	2,150,697
Less: Fair value of plan assets (see note below)	**(2,236,394)**	(2,033,861)
	137,924	116,836
Present value of unfunded defined benefit obligations	**2,184,556**	1,741,466
Employees' end of service benefits provision (see note above)	**2,322,480**	1,858,302

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes
Senior employees in certain subsidiaries based in the UAE participate in a defined benefit provident scheme (the "Fund") to which such subsidiaries contribute a specified percentage of basic salary based upon the employee's grade and duration of service. Amounts contributed are invested in a trustee administered scheme and accumulate along with returns earned on investments. Contributions are made on a regular basis irrespective of the Fund's performance and are not pooled, but are separately identifiable and attributable to each participant. The Fund comprises a diverse mix of managed funds, and investment decisions are controlled directly by the participating employees.

Benefits receivable under the provident scheme are subject to vesting rules, which are dependent upon a participating employee's length of service. If at the time an employee leaves employment, the accumulated vested amount, including investment returns is less than the end of service benefits that would have been payable to that employee under relevant local regulations, the Group pays the shortfall amount directly to the employee. However, if the accumulated vested amount exceeds the end of service benefits that would have been payable to an employee under relevant local regulations, the employee receives between seventy five and one hundred percent of their fund balance. Vested assets of the scheme are not available to the Group or its creditors in any circumstances.

Movements in the fair value of the plan assets in respect of the funded schemes are as follows:

	2014	*2013*
	AED'000	*AED'000*
At the beginning of the year	**2,033,861**	1,510,526
Contributions made	**319,092**	279,889
Benefits paid	**(139,590)**	(89,070)
Change in fair value	**38,567**	156,155
Proceeds from curtailment of provident fund scheme	**(1,242)**	-
Other movements	**(14,294)**	176,361
At 31 December	**2,236,394**	2,033,861

The Group expects to contribute approximately AED 280 million for existing plan members during the year ending 31 December 2015.

Actuarial gains and losses and expected returns on plan assets are not calculated given that investment decisions relating to plan assets are under the direct control of participating employees.

(ii) Unfunded schemes
End of service benefits for employees who do not participate in the provident schemes or other defined contribution plans, follow relevant local regulations, which are mainly based on period of cumulative service and levels of employees' final basic salary.

28 BORROWINGS AND LEASE LIABILITIES

	2014 AED'000	2013 AED'000
Banking operations		
Non-current liabilities		
Due to banks (see note 22)	**367,300**	-
Debts issued and other borrowed funds	**23,099,448**	16,076,321
Sukuk payable (Bonds)	**3,673,000**	3,667,360
(A)	**27,139,748**	19,743,681
Current liabilities		
Due to banks (see note 22)	**15,018,607**	23,637,377
Debts issued and other borrowed funds	**3,598,243**	4,034,371
(B)	**18,616,850**	27,671,748
Total (C=A+B)	**45,756,598**	47,415,429
Non-banking operations		
Non-current liabilities		
Bank borrowings	**29,436,958**	26,223,115
Bonds	**12,834,344**	10,868,189
Finance lease liabilities	**34,335,014**	26,256,607
Loan from Government, MOF and other related parties	**1,207,589**	10,214,102
Loans from associates and joint ventures	**8,006,733**	4,939,914
(D)	**85,820,638**	78,501,927
Current liabilities		
Bank borrowings	**11,182,374**	9,167,737
Bonds	**6,150,240**	5,503,861
Finance lease liabilities	**4,056,516**	2,941,519
Loans from Government, MOF and other related parties	**9,187,500**	4,000,009
Loans from associates and joint ventures	**769,047**	83,152
Bank overdrafts (see note 22)	**545,276**	350,297
(E)	**31,890,953**	22,046,575
Total (F=D+E)	**117,711,591**	100,548,502

	2014 AED'000	2013 AED'000
Disclosed as follows:		
Non-current liabilities (A+D)	**112,960,386**	98,245,608
Current liabilities (B+E)	**50,507,803**	49,718,323
	163,468,189	147,963,931

28 BORROWINGS AND LEASE LIABILITIES (continued)

Terms and conditions of outstanding loans and lease liabilities were as follows:

2014

	Notes	***Maturity profile***	***AED'000***
Debts issued and other borrowed funds	28(a)	2015-2026	**26,697,691**
Due to banks (see note 22)	28(b)	2015-2016	**15,385,907**
Bank borrowings	28(c)	2015-2026	**40,619,332**
Loans from Government, MOF and other related parties (see note 37 (b))	28(d)	up to 2016	**10,395,089**
Loans from associates and joint ventures (see note 37 (b))	28(e)	various up to 2026	**8,775,780**
Bonds (including sukuk)	28(f)	various up to 2025	**22,657,584**
Finance lease liabilities	28(g)	2015-2025	**38,391,530**
Bank overdrafts (see note 22)		2015	**545,276**
			163,468,189

2013

	Notes	*Maturity profile*	*AED'000*
Debts issued and other borrowed funds	28(a)	2014-2023	20,110,692
Due to banks (see note 22)	28(b)	2014	23,637,377
Bank borrowings	28(c)	2014-2025	35,390,852
Loans from Government, MOF and other related parties (see note 37 (b))	28(d)	up to 2018	14,214,111
Loans from associates and joint ventures (see note 37 (b))	28(e)	various up to 2026	5,023,066
Bonds (including sukuk)	28(f)	various up to 2025	20,039,410
Finance lease liabilities	28(g)	2014-2022	29,198,126
Bank overdrafts (see note 22)		2014	350,297
			147,963,931

The above interest / profit bearing loans and lease liabilities are in various currencies.

a) Debts issued and other borrowed funds

	2014 ***AED'000***	*2013* *AED'000*
Medium-term note programme *	**19,228,151**	14,320,272
Term loans from banks	**2,938,000**	2,938,000
Borrowing raised from loan securitisation (see note 21)	**4,531,540**	2,852,420
	26,697,691	20,110,692

*Includes Tier 2 notes amounting to AED 4,341 million (2013: AED 4,203 million) raised through public and private placements.

28 BORROWINGS AND LEASE LIABILITIES (continued)

a) Debts issued and other borrowed funds (continued)

The repayment profile of the above liabilities is as follows:

	2014 AED in millions	*2013 AED in millions*
2014	**-**	4,034
2015	**3,598**	1,157
2016	**4,759**	4,492
2017	**4,111**	4,018
2018	**1,199**	1,199
2019	**5,288**	43
2020	**226**	226
2022	**1,357**	817
2023	**5,441**	4,125
2024	**628**	-
2026	**91**	-
	26,698	20,111

The effective interest rate paid on the above averaged 3.2% per annum (2013: 3.3% per annum)

b) Due to banks

	2014 AED'000	*2013 AED'000*
Demand and call deposits	**544,154**	818,983
Balances with correspondent banks	**1,380,808**	1,217,225
Time and other deposits	**13,460,945**	19,739,546
Current account with Central Bank	**-**	1,861,623
	15,385,907	23,637,377

The interest rates paid on the above averaged 1.6% per annum (2013: 1.4% per annum).

c) Bank borrowings

Bank borrowings include:

- Murabaha syndicated facilities amounting to AED 642,775 thousand (2013: AED 642,775 thousand) and USD 150,000 thousand (2013: USD 150,000 thousand) representing separate AED and USD portions respectively. These facilities are repayable in 2018 and carry profit at the rate of 2.15% over EIBOR and LIBOR on AED and USD denominated borrowings respectively.

- Conventional syndicated facilities amounting to AED 2,387,450 thousand (2013: AED 2,387,450 thousand) and USD 725,000 thousand (2013: USD 725,000 thousand) representing separate AED and USD portions respectively. These facilities are repayable in 2018 and carry interest at the rate of 2.15% over EIBOR and LIBOR on AED and USD denominated borrowings respectively.

- Ijara syndicated facilities amounting to AED 550,950 thousand (2013: AED 550,950 thousand) repayable in 2018 and carrying profit at the rate of 2.15% over EIBOR.

28 BORROWINGS AND LEASE LIABILITIES (continued)

c) Bank borrowings (continued)

- AED 10,289,144 thousand (2013: AED 8,480,820 thousand) at rates ranging from 1.75% to 2.15% per annum (2013: 2.2% to 2.9% per annum). These borrowings are secured against applicable property, plant and equipment and assignment of insurance. The carrying values of the borrowings are primarily denominated in USD or currencies pegged to USD. Contractual repricing dates are set at the option of the Group on the basis of 1, 3 or 6 months LIBOR / EIBOR.
- Islamic Murabaha Commodity facility and credit facility amounting to AED 1,735,003 thousand repayable in 2021 and carrying profit rate of 2.8% over 3 month LIBOR.
- Term loan facilities amounting to AED 11,594,879 thousand (2013: AED 10,699,745 thousand) having repayment terms between two to twelve years, with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The rates on the facilities for the year are either fixed with a range of 2.41% to 9.25% per annum (2013: 2.41% to 9.25% per annum) or variable rates based on LIBOR plus a spread of 0.27% to 4.75% per annum (2013: LIBOR plus a spread of 0.27% to 4.75% per annum).
- Bilateral facilities amounting to USD 833,000 thousand (2013: USD 833,000 thousand) and AED 183,650 thousand (2013: AED 183,650 thousand) carrying interest rate of 2.95% per annum over LIBOR and EIBOR on the USD and AED facility respectively. These facilities are from various financial institutions and are repayable upto 2017.
- Syndicated facilities amounting to AED 4,474,742 thousand (2013: AED 4,211,955 thousand) obtained from international, regional and local banks. These loans carry interest payable on quarterly basis at LIBOR and EIBOR for USD and AED borrowings respectively and is repayable over the period upto 2019.
- Other borrowings are primarily unsecured, and contain various banking covenants, which were complied with as at the year end.

d) Loans from Government, MOF and other related parties

Borrowings under this category include:

- AED 4 billion at interest rate of 6.45% per annum obtained in prior years from the Government and settled during 2014.
- USD 2.5 billion (2013: USD 2.5 billion) at interest rate of 4.5% per annum payable on quarterly basis, obtained in prior years from the MOF. This loan was repayable in February 2015 and the Group is currently discussing with MOF the next steps.
- AED 800,000 thousand (2013: AED 800,000 thousand) is a Wakala deposit by the Department of Finance of the Government that carries a profit rate of 2.5% per annum and is repayable on 1 January 2016.

e) Loans from associates and joint ventures

This includes various loans from associates and joint ventures as follows:

- AED 550,950 thousand (2013: AED 550,950 thousand) being part of a Murabaha syndicated facility repayable in 2018 and carry profit at the rate of 2.15% over EIBOR.
- AED 550,950 thousand (2013: AED 550,950 thousand) being part of a Conventional syndicated facility repayable in 2018 and carries interest at the rate of 2.15% over EIBOR.
- AED 734,600 thousand (2013: AED 734,600 thousand) being part of Ijara syndicated facility repayable in 2018 and carries profit at the rate of 2.15% over EIBOR.
- Syndicated facilities amounting to AED 1,025,935 thousand (2013:AED 1,251,328 thousand) obtained from international, regional and local banks. These loans carry interest payable on quarterly basis at LIBOR and EIBOR for USD and AED borrowings respectively and is repayable over the period upto 2019.
- AED 1,837,500 thousand (2013: AED Nil) being Murabaha facility repayable in 2017.

28 BORROWINGS AND LEASE LIABILITIES (continued)

e) Loans from associates and joint ventures (continued)

- AED 857,034 thousand (2013: AED 857,034 thousand) being an Ijara bilateral facility repayable in February 2017. This facility carries a profit rate of 2.50% over EIBOR.

- AED 1,262,455 thousand (2013: AED Nil) being Islamic Murabaha Commodity facility and credit facility repayable in 2021 carrying profit rate of 2.8% over 3 months LIBOR.

- AED 1,927,972 thousand (2013: AED 898,584 thousand) being Murabaha and Ijara facilities repayable over the term upto 2026. The rates on the facilities for the year are either fixed with a range of 4.95% to 6.25% (2013: 6.75%) or variable rates with a range of 1.25% to 3.25% (2013: 1.25% to 3.25%) over EIBOR and LIBOR on AED and USD denominated facilities respectively.

- AED 152,000 thousand being Mudaraba financing outstanding as at 31 December 2013 which carried a profit mark up and was repayable in December 2016. This was early settled during 2014.

- Other borrowings from associates and joint ventures are primarily unsecured, and contain various banking covenants, which were complied with as at the year end.

f) Bonds (including Sukuk)

	2014 AED'000	*2013 AED'000*
These are denominated in the following currencies:		
US Dollars (refer (i))	**16,733,580**	14,503,420
UAE Dirhams (refer (ii))	**5,544,598**	5,160,186
Singapore Dollars (refer (iii))	**416,850**	435,362
	22,695,028	20,098,968
Less: transaction costs	**(37,444)**	(59,558)
	22,657,584	20,039,410

These bonds have been issued at coupon rates varying from 3.5% to 5.7% (2013: 3.9% to 5.1%).

i) USD bonds include:

- bonds amounting to AED 3,673,000 thousand (2013: AED 3,673,000 thousand) carrying a fixed interest rate of 5.125% per annum over their term and are repayable in June 2016.

- Islamic bonds (Sukuk) amounting to USD 1 billion were raised during the year 2013 carrying a fixed profit rate of 3.875% per annum over their term. The repayments are semi-annual commencing from September 2013 and will be fully repaid by March 2023.

- Conventional bonds amounting to USD 750 million were raised during the year 2013 carrying a fixed interest rate of 4.5% over their term. The repayments are semi-annual commencing from February 2015 and will be fully repaid by February 2025.

- During 2012, the Group through its indirect subsidiary, Emirates Islamic Bank ("EIB"), raised two tranches of US Dollar denominated medium term finance amounting to USD 500 million each (AED 3.7 billion in total) via a Sharia'a compliant Sukuk financing arrangement. This medium term finance is carried at amortised cost. The Sukuks will be due for maturity during January 2017 and June 2017 respectively.

- During 2014, the Group issued conventional bonds amounting to USD 300 million under a Euro Medium Term Note Programme, which carry interest at the rate of 4.625% per annum and are repayable in 2024.

- During 2014, the Group issued Sukuk amounting to USD 700 million under a Trust Certificate Issuance programme, which carry profit at the rate of 3.508% per annum and are repayable in 2020.

28 BORROWINGS AND LEASE LIABILITIES (continued)

f) Bonds (including Sukuk) (continued)

i) USD bonds include: (continued)

- USD 300 million of senior unsecured notes (the "Notes") that were issued by DAE Engineering (an indirect subsidiary of the Group) at 97.45% and with a face interest rate of 11.25%, maturing on 1 August 2015. DAE Engineering may redeem any portion of the Notes at pre-determined premiums plus accrued and unpaid interest to the redemption date. During 2014, DAE Engineering tendered and extinguished these notes prior to the call date.

ii) UAE Dirham bonds include AED 5,544,598 thousand (2013: AED 5,160,186 thousand) payable to bond holders of one of the subsidiaries of the Group which is a Shari'a compliant open ended investment fund. These bonds were offered under the prospectus issued by the subsidiary of the Group and have a face value of AED 10 per bond and are repayable on demand of the bond holders.

iii) Singapore Dollar bonds amounting to AED 416,850 thousand (2013: AED 435,362 thousand) carry a fixed interest rate of 4.64% per annum over its term and are repayable in June 2016.

g) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future lease payments 2014 AED'000	***Interest and term deposit component 2014 AED'000***	***Present value of minimum lease payments 2014 AED'000***
Less than one year	**5,048,289**	**(991,773)**	**4,056,516**
Between one and five years	**19,810,634**	**(3,783,571)**	**16,027,063**
More than five years	**20,423,032**	**(2,115,081)**	**18,307,951**
	45,281,955	**(6,890,425)**	**38,391,530**

	Future lease payments 2013 AED'000	*Interest and term deposit component 2013 AED'000*	*Present value of minimum lease payments 2013 AED'000*
Less than one year	3,882,233	(940,714)	2,941,519
Between one and five years	15,528,666	(3,337,015)	12,191,651
More than five years	15,759,745	(1,694,789)	14,064,956
	35,170,644	(5,972,518)	29,198,126

28 BORROWINGS AND LEASE LIABILITIES (continued)

g) Finance lease liabilities (continued)

The fair value of net lease liabilities amounts to AED 39,637,908 thousand (2013: AED 27,909,185 thousand). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

The effective interest rate on finance lease liabilities is 2.80% (2013: 2.86%).

h) Securities

Following are the significant securities provided against the borrowings:

- First mortgage over applicable property, plant and equipment;
- Assignment of insurance policies and earnings from applicable property, plant and equipment;
- Negative pledge whereby the relevant subsidiaries of the Group shall not create or permit to subsist any security on any of the applicable property, plant and equipment to third parties;
- Confirmation from a Group entity that it shall not merge or amalgamate or sell its assets, except in the ordinary course of business, without prior approval of the concerned banks;
- Confirmation from a Group entity that prior consent of the lenders will be obtained before effecting any change in its ownership and/or sale of significant assets; and
- A letter of support or corporate guarantee by a subsidiary in respect of certain borrowings obtained by its group companies.
- Certain applicable real estate assets of the Group have been allocated to support issuance of borrowings in the form of Ijara.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values. It also shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

2014

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*Notional amounts <1 year AED'000*	*Notional amounts >1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	**285,162**	**(531,581)**	**154,455,001**	**143,306,946**	**11,148,055**
Foreign exchange options	**126,817**	**(126,812)**	**30,126,832**	**6,108,682**	**24,018,150**
Interest rate swaps / caps	**841,788**	**(822,805)**	**96,808,486**	**25,202,960**	**71,605,526**
Commodity options	**729**	**(729)**	**93,418**	**93,418**	**-**
	1,254,496	**(1,481,927)**	**281,483,737**	**174,712,006**	**106,771,731**
Derivatives held as cash flow hedges:					
Interest rate swaps	**46,827**	**(21,103)**	**4,800,000**	**1,650,000**	**3,150,000**
Derivatives held as fair value hedges:					
Interest rate swaps	**9,132**	**(142,747)**	**2,439,701**	**591,750**	**1,847,951**
(A)	**1,310,455**	**(1,645,777)**	**288,723,438**	**176,953,756**	**111,769,682**

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Positive fair value AED'000	***Negative fair value AED'000***	***Notional amounts Total AED'000***	***<1 year AED'000***	***>1 year AED'000***
Non-banking operations					
Derivatives held for trading:					
Commodity forward contracts and options	**559,725**	**(118,971)**	**10,534,998**	**-**	**10,534,998**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	**193,137**	**(3,477)**	**4,129,811**	**3,629,599**	**500,212**
Interest rate swaps	**-**	**(552,877)**	**15,111,547**	**10,729,213**	**4,382,334**
	193,137	**(556,354)**	**19,241,358**	**14,358,812**	**4,882,546**
(B)	**752,862**	**(675,325)**	**29,776,356**	**14,358,812**	**15,417,544**
Total (A+B)	**2,063,317**	**(2,321,102)**	**318,499,794**	**191,312,568**	**127,187,226**

2013

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*<1 year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	485,468	(283,231)	115,234,190	108,272,482	6,961,708
Foreign exchange options	75,036	(67,308)	12,436,125	4,503,525	7,932,600
Interest rate swaps / caps	1,013,357	(961,782)	102,371,636	64,856,616	37,515,020
Commodity options	136	(136)	53,191	-	53,191
	1,573,997	(1,312,457)	230,095,142	177,632,623	52,462,519
Derivatives held as cash flow hedges:					
Interest rate swaps	107,461	(22,210)	5,600,000	800,000	4,800,000
Derivatives held as fair value hedges:					
Interest rate swaps	95,093	(103,505)	11,922,221	436,011	11,486,210
(A)	1,776,551	(1,438,172)	247,617,363	178,868,634	68,748,729

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*<1 year AED'000*	*>1 year AED'000*
<u>*Non-banking operations*</u>					
Derivatives held for trading:					
Commodity forward contracts and options	157,830	(188,590)	11,844,418	-	11,844,418
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	13,619	(31,374)	7,598,334	1,450,666	6,147,668
Interest rate swaps	2,620	(624,517)	13,343,220	10,521,802	2,821,418
	16,239	(655,891)	20,941,554	11,972,468	8,969,086
(B)	174,069	(844,481)	32,785,972	11,972,468	20,813,504
Total (A+B)	1,950,620	(2,282,653)	280,403,335	190,841,102	89,562,233

Disclosed as follows:

Positive fair value of derivatives:

	2014 AED'000	*2013 AED'000*
Non-current assets	**914,802**	1,072,383
Current assets	**1,148,515**	878,237
Total	**2,063,317**	1,950,620

Negative fair value of derivatives:

Non-current liabilities	**(1,563,794)**	(1,612,445)
Current liabilities	**(757,308)**	(670,208)
Total	**(2,321,102)**	(2,282,653)
Net fair value of derivatives (see note 16)	**(257,785)**	(332,033)

30 OTHER NON-CURRENT PAYABLES

	2014 AED'000	*2013 AED'000*
Deferred service revenue	**1,930,273**	1,794,856
Provision for maintenance	**1,984,194**	1,429,143
Deferred credits (non-current portion)	**208,521**	250,161
Retention payable	**212,600**	294,687
Maintenance reserve (see note 36)	**877,847**	778,383
Other provisions	**83,549**	80,767
Decommissioning and cylinder replacement costs	**29,720**	28,985
Others	**341,630**	322,756
	5,668,334	4,979,738

31 TRADE AND OTHER PAYABLES

	2014 AED'000	*2013 AED'000*
Trade payables	**44,541,402**	39,144,964
Passenger sales in advance	**10,689,980**	10,014,099
Accrued interest payable	**778,157**	1,304,930
Advance from customers	**357,563**	252,453
Amounts due to associates and joint ventures (see note 37 (b))	**887,408**	831,003
Amounts due to Government, MOF and other related parties (see note 37 (b))	**181,586**	1,641,506
Managers' cheques	**975,285**	1,382,142
Abandonment and decommissioning liability	**2,459,924**	2,109,075
Unearned rent and service charges	**2,711,934**	2,575,253
Deferred credits (current portion)	**54,587**	68,490
Members' margin deposit	**78,538**	20,187
Other payables and accruals	**7,151,328**	6,265,696
	70,867,692	65,609,798

32 CUSTOMER DEPOSITS

	2014 AED'000	*2013 AED'000*
Time	**69,972,942**	80,012,975
Demand, call and short notice	**89,836,345**	71,093,252
Savings	**21,644,089**	20,147,306
Others	**4,256,308**	2,777,400
	185,709,684	174,030,933
Disclosed as follows:		
Non-current liabilities	**6,671,593**	6,648,250
Current liabilities	**179,038,091**	167,382,683
	185,709,684	174,030,933

The interest rates paid on the above deposits averaged 0.7% per annum (2013: 1% per annum).

Customer deposits include AED 3,184,351 thousand (2013: AED 5,905,338 thousand) deposits from Government, MOF and other related parties and AED 534,460 thousand (2013: AED 63,817 thousand) deposits from associates and joint ventures (see note 37 (b)).

33 ISLAMIC CUSTOMER DEPOSITS

	2014 ***AED'000***	*2013* *AED'000*
Time	**32,796,159**	25,713,968
Demand, call and short notice	**4,921,898**	5,382,882
Savings	**8,319,275**	7,089,462
Others	**267,637**	307,022
	46,304,969	38,493,334
Disclosed as follows:		
Non-current liabilities	**13,335,455**	11,209,566
Current liabilities	**32,969,514**	27,283,768
	46,304,969	38,493,334

Islamic customer deposits include AED Nil (2013: AED 1,082,000 thousand) pertaining to facilities received from MOF (see note 37 (b)).

34 REPURCHASE AGREEMENTS WITH BANKS

Repurchase agreements with banks represent borrowings from banks and are secured by a portfolio of investment in marketable securities as follows:

	2014 ***AED'000***	*2013* *AED'000*
Available-for-sale investments (see note 16)	**35,369**	67,129

35 NON-CONTROLLING INTERESTS

This includes three regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2013 ("2013 Notes") and 2014 ("2014 Notes") by the banking subsidiary of the Group amounting to AED 4 billion, USD 1 billion (AED 3.65 billion (net of issuance cost)) and USD 500 million ((AED 1.83 billion) (net of issuance cost)) respectively. 2009 Notes were issued at fixed interest rate for the first five years and on a floating rate basis thereafter and 2013 Notes and 2014 Notes were issued at fixed interest rate with a reset after six years. These Capital Notes are perpetual, subordinated and unsecured. The issuer can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default. These Capital Notes have been classified under equity.

During 2014, ownership of 2009 Notes, previously subscribed by the Group, was changed and this has accordingly been disclosed as a transfer to non-controlling interest in the consolidated statement of changes in equity.

36 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

The Group has the following investment commitments as at 31 December:

	2014	*2013*
	AED'000	*AED'000*
Available-for-sale investments	**728,411**	737,562
Associates	**-**	10,661
Joint ventures	**-**	1,564,783
Others	**255,000**	255,000
	983,411	2,568,006

(b) Operating lease commitments

Group as lessee
Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014	*2013*
	AED'000	*AED'000*
Within one year	**7,694,853**	7,751,232
After one year but not more than five years	**22,312,992**	22,944,336
More than five years	**15,305,779**	15,369,941
	45,313,624	46,065,509

As at 31 December 2013, in the event of certain aircraft leases being terminated prior to their expiry, penalties were payable. Had these leases been cancelled at 31 December 2013, the penalties would have been AED 265.37 million. There were no lease agreements as at 31 December 2014 with this penalty provision.

The Group is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period. The Group is also entitled to purchase four out of one hundred twenty eight (2013: nine of one hundred and thirty) aircraft under these leases.

Group as lessor
Future minimum rentals receivable as at 31 December are as follows:

	2014	*2013*
	AED'000	*AED'000*
Within one year	**2,017,353**	1,607,466
After one year but not more than five years	**4,395,094**	3,004,191
More than five years	**2,585,268**	1,680,989
	8,997,715	6,292,646

One of the Group's subsidiary enters into non-cancellable operating leases for aircraft expiring from 2015 to 2024.

During the term of most aircraft leases, lessees pay an additional amount based on usage to fund the estimated costs of scheduled major maintenance of the airframe and engines. These amounts are accounted for as maintenance reserves and disclosed under note 30.

36 COMMITMENTS AND CONTINGENCIES (continued)

(c) Capital commitments

Capital expenditure contracted for at the reporting date, but not provided for are as follows:

	2014 AED'000	*2013 AED'000*
Capital commitments for purchase of aircraft fleet are as follows:		
Within one year	**22,512,557**	17,193,728
After one year but not more than five years	**65,330,675**	88,408,662
More than five years	**171,891,812**	210,579,535
	259,735,044	316,181,925
Contracted commitment for purchase of other non-financial assets	**10,953,608**	13,561,320
Group's share of associate and joint venture companies' capital expenditure commitments	**6,349,303**	2,845,643
	277,037,955	332,588,888

(d) Assets held in a fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provides custodian services for some of its customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group consolidated financial statements.

(e) Contingencies

The Group has the following contingent liabilities at the reporting date:

	2014 AED'000	*2013 AED'000*
Letters of credit	**9,351,990**	9,341,531
Letters of guarantees	**49,284,465**	52,397,166
Liabilities on risk participation	**1,027,628**	2,217,393
Performance bonds	**162,568**	137,944
Group's share of guarantees issued by associates and joint ventures	**5,145,577**	4,328,281
Group's share of letters of credit issued by associates and joint ventures	**1,356,223**	1,359,706
Third party claims*	**580,915**	633,176
Acceptances	-	995,968

* There are various claims against the subsidiaries of the Group initiated by their respective contractors, customers and other counterparties in respect of delays in work or non-fulfilment of contractual obligations. The Group's management believes that the respective subsidiaries have strong cases in respect of these contingencies and the chances of outflow are remote. Accordingly, no liability is recognised in respect of these contingencies.

(f) Operational commitments

One of the Group's subsidiaries has operational commitments relating to sales and marketing as at 31 December 2014 amounting to AED 2,476,889 thousand (2013: AED 3,318,923 thousand).

36 COMMITMENTS AND CONTINGENCIES (continued)

(g) Irrevocable loan commitments

The Group's banking operations have irrevocable undrawn loan commitments amounting to AED 26,810,870 thousand outstanding at 31 December 2014 (2013: AED 25,700,148 thousand).

37 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, joint ventures, directors and key management personnel of the Group, and entities jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions are approved by the Group's management.

Related party transactions have been disclosed as under:

a) Transactions with related parties included in the consolidated income statement are as follows:

	31 December 2014				
	Purchase of goods and services (including cost of revenue) AED'000	***Sale of goods and services (including revenue) AED'000***	***Finance income AED'000 (see note 5)***	***Finance costs AED'000 (see note 6)***	***Other income / (expenses) - net AED'000***
Associates and joint ventures	**7,945,590**	**9,323,340**	**157,464**	**150,953**	**(141,153)**
Government, MOF and other related parties	**40,053**	**959,548**	**362,675**	**478,062**	**54,896**

	31 December 2013				
	Purchase of goods and services (including cost of revenue) AED'000	*Sale of goods and services (including revenue) AED'000*	*Finance income AED'000 (see note 5)*	*Finance costs AED'000 (see note 6)*	*Other income / (expenses) - net AED'000*
Associates and joint ventures	7,012,020	8,007,052	57,000	145,699	-
Government, MOF and other related parties	30,203	833,106	352,125	701,529	28,163

Share of results of associates and joint ventures and other movements in investments in associates and joint ventures are disclosed in note 15 to these consolidated financial statements.

The Group enters into transactions with Government owned entities in the normal course of business. Such entities include various utility companies, port authorities, financial institutions, etc. In accordance with the exemption in the revised IAS 24, management has concluded not to disclose such transactions which are entered in normal course of business with the said related Government entities.

Further, during the prior year, the banking subsidiary of the Group had purchased properties of AED 2,232,742 thousand from an indirect associate of the Group.

37 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Amounts due from and due to related parties are disclosed in notes 17, 19, 20, 21, 28, 30, 31, 32 and 33 respectively, details of which are as follows:

	2014		*2013*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**10,995,358**	**10,197,648**	3,947,350	5,917,886
Government, MOF and other related parties	**129,892,509**	**13,761,026**	112,523,108	22,842,955
	140,887,867	**23,958,674**	116,470,458	28,760,841

An impairment provision of AED 646,003 thousand (2013: AED 614,067 thousand) and AED 26,158 thousand (2013: AED Nil) has been made against amounts receivable from "Government, MOF and other related parties" and "Associates and joint ventures" respectively. Such amounts are included in other non-current assets and trade and other receivables at the year end.

Further, apart from the amounts included above, other non-current assets includes an amount of AED 2,000,000 thousand (2013: AED 2,000,000 thousand) being the carrying value of guarantee from a related party (see note 17). Subsequent to year end, the full amount of the guarantee amounting to AED 2,000,000 thousand was settled.

Investment in marketable securities includes balances of AED 528,050 thousand (2013: AED 1,198,705 thousand) with Government, MOF and other related parties.

c) Compensation to key managerial personnel

The remuneration of directors and other key members of the management during the year were as follows:

	2014 AED'000	*2013 AED'000*
Short term benefits	**324,073**	267,032
End of service benefits	**22,855**	14,619
Share based payments	**4,017**	3,587
Directors' fees	**12,847**	11,255
	363,792	296,493

38 FINANCIAL RISK MANAGEMENT

The tables below set out the Group's classification of each class of financial assets and financial liabilities at the date of statement of financial position:

31 December 2014:

	Designated as fair value through profit or loss AED'000	*Held-to-maturity AED'000*	*Available-for-sale AED'000*	*Loans and receivables AED'000*	*Liabilities at amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets							
Non-derivative financial assets							
Investments in marketable securities	**1,779,049**	**1,149,802**	**29,719,003**	**-**	**-**	**-**	**32,647,854**
Islamic financing and investment products	-	-	**-**	**41,948,785**	**-**	**-**	**41,948,785**
Loans and receivables	-	**-**	**-**	**207,891,911**	**-**	**-**	**207,891,911**
Other non-current assets	-	**-**	**-**	**20,267,077**	**-**	**-**	**20,267,077**
Trade and other receivables	-	**-**	**-**	**28,615,379**	**-**	**-**	**28,615,379**
Customer acceptances	-	**-**	**-**	**3,859,864**	**-**	**-**	**3,859,864**
Cash and deposits with banks	-	**-**	**-**	**120,973,593**	**-**	**-**	**120,973,593**
Derivative financial assets							
Positive fair value of derivatives	-	**-**	**-**	**-**	**-**	**2,063,317**	**2,063,317**
	1,779,049	**1,149,802**	**29,719,003**	**423,556,609**	**-**	**2,063,317**	**458,267,780**
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits	-	**-**	**-**	**-**	**185,709,684**	**-**	**185,709,684**
Islamic customer deposits	-	**-**	**-**	**-**	**46,304,969**	**-**	**46,304,969**
Borrowings and lease liabilities	-	**-**	**-**	**-**	**163,468,189**	**-**	**163,468,189**
Other non-current payables	-	**-**	**-**	**-**	**1,449,020**	**-**	**1,449,020**
Customer acceptances	-	**-**	**-**	**-**	**3,859,864**	**-**	**3,859,864**
Repurchase agreements with banks	-	**-**	**-**	**-**	**35,369**	**-**	**35,369**
Trade and other payables	-	**-**	**-**	**-**	**56,539,026**	**-**	**56,539,026**
Derivative financial liabilities							
Negative fair value of derivatives	-	**-**	**-**	**-**	**-**	**2,321,102**	**2,321,102**
	-	**-**	**-**	**-**	**457,366,121**	**2,321,102**	**459,687,223**

Fair values of the above mentioned financial assets and liabilities approximate their carrying values.

38 FINANCIAL RISK MANAGEMENT (continued)

31 December 2013:

	Designated as fair value through profit or loss AED'000	*Held-to-maturity AED'000*	*Available-for-sale AED'000*	*Loans and receivables AED'000*	*Liabilities at amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets							
Non-derivative financial assets							
Investments in marketable securities	2,565,312	1,096,419	21,947,889	-	-	-	25,609,620
Islamic financing and investment products	-	-	-	36,414,875	-	-	36,414,875
Loans and receivables	-	-	-	199,525,582	-	-	199,525,582
Other non-current assets	-	-	-	13,547,512	-	-	13,547,512
Trade and other receivables	-	-	-	27,950,043	-	-	27,950,043
Customer acceptances	-	-	-	4,986,419	-	-	4,986,419
Cash and deposits with banks	-	-	-	93,564,149	-	-	93,564,149
Derivative financial assets							
Positive fair value of derivatives	-	-	-	-	-	1,950,620	1,950,620
	2,565,312	1,096,419	21,947,889	375,988,580	-	1,950,620	403,548,820
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits	-	-	-	-	174,030,933	-	174,030,933
Islamic customer deposits	-	-	-	-	38,493,334	-	38,493,334
Borrowings and lease liabilities	-	-	-	-	147,963,931	-	147,963,931
Other non-current payables	-	-	-	-	1,426,139	-	1,426,139
Customer acceptances	-	-	-	-	4,986,419	-	4,986,419
Repurchase agreements with banks	-	-	-	-	67,129	-	67,129
Trade and other payables	-	-	-	-	51,734,354	-	51,734,354
Derivative financial liabilities							
Negative fair value of derivatives	-	-	-	-	-	2,282,653	2,282,653
	-	-	-	-	418,702,239	2,282,653	420,984,892

Fair values of the above mentioned financial assets and liabilities approximate their carrying values.

38 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework:

The complexity in the Group's business operations and diversity of geographical locations requires identification, measurement, aggregation and effective management of risk. The Group manages its risks through a risk management framework which incorporates organisational structure, risk measurement and monitoring processes. Risk management for routine operational matters has been delegated to the management of the respective entities.

The key features of the Group's risk management framework are:

- Risk management is embedded in the Group as an intrinsic process and is a core competency of all its employees.
- The Board of Directors of ICD and the respective entities have the overall responsibility and provide the overall risk management direction and oversight. The Group's risk appetite is determined and approved by the Board of Directors of respective entities.
- Credit, market, operational and liquidity risks are managed in a coordinated manner within the respective Group entities.

The risk management function assists senior management in controlling and actively managing the Group's overall risk. This function also ensures that:

- Policies, procedures and methodologies are consistent with the Group's risk appetite.
- The Group's overall business strategy is consistent with its risk appetite.
- Appropriate risk management architecture and systems are developed and implemented.

Risk management process:

Through the risk management framework, transactions and outstanding risk exposures are quantified and compared against authorised limits, whereas non quantifiable risks are monitored against policy guidelines and key risk and control indicators. Any discrepancies, excesses or deviations are escalated to the management for appropriate timely action.

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included in these consolidated financial statements.

The Board of Directors of the respective entities have overall responsibility for:

- establishment and oversight of the risk management framework;
- identifying and analysing the risks in the operations of the respective businesses;
- forming appropriate risk management committees to mitigate the risks of the businesses within the overall risk management framework of the Group.

38 FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is mainly attributable to investments in marketable securities (primarily bonds and other held-to-maturity investments), Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties), customer acceptances, and cash at bank. The exposure to credit risk on Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties) is monitored on an ongoing basis by the management of the respective subsidiaries and these are considered recoverable by the Group's management. The Group's cash is placed with banks of repute.

Credit risk management and structure
The approach to credit risk management is based on the foundation to preserve independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structures in the business segments. The credit policy for the banking operations focuses on the core credit policies and includes lending parameters, target businesses, specific policy guidelines, management of high risk customers, provisioning guidelines, policies governing overseas locations etc. The relevant Credit Management and Investment Committee retains the ultimate authority to approve larger credits. Independent functions within the banking subsidiary manage credit risks on the corporate and retail portfolios.

Trade and other receivables
Sales are made to customers on mutually agreed terms. The credit committees set up by the respective subsidiaries are responsible for determining:

- the creditworthiness of its customers;
- the credit exposure and the credit ratings of the customers; and
- appropriate collateral as securities and financial guarantees.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of Islamic financing and investment products, loans and receivables, trade/contract and other receivables and due from related parties. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Collateral management
Collaterals and guarantees are effectively used as mitigating tools by the Group. The quality of collateral is continuously monitored and assessed.

Where credit facilities are secured by collateral, the Group seeks to ensure the enforceability of the collateral.

Collaterals are revalued regularly as per the Group's credit policy. In addition, ad-hoc valuations are also carried out depending on the nature of collateral and general economic condition. This enables the Group to assess the fair market value of the collateral and ensure that risks are appropriately covered. Security structures and legal covenants are also subject to regular review.

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

	2014 ***AED'000***	*2013* *AED'000*
Investments in marketable securities	**15,007,554**	16,641,936
Other non-current assets	**20,267,077**	13,547,512
Positive fair value of derivatives	**2,063,317**	1,950,620
Islamic financing and investment products	**41,948,785**	36,414,875
Loans and receivables	**207,891,911**	199,525,582
Trade and other receivables (including due from related parties)	**28,615,379**	27,950,043
Customer acceptances	**3,859,864**	4,986,419
Deposits with banks	**117,613,814**	89,886,063
	437,267,701	390,903,050

38 FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

Exposure to credit risk (continued)
The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group might have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2014 ***AED'000***	*2013* *AED'000*
Letters of credit	**9,351,990**	9,341,531
Letters of guarantees	**49,284,465**	52,397,166
Liabilities on risk participation	**1,027,628**	2,217,393
Performance bonds	**162,568**	137,944
Group's share of guarantees issued by associates and joint ventures	**5,145,577**	4,328,281
Group's share of letters of credit issued by associates and joint ventures	**1,356,223**	1,359,706
Acceptances	**-**	995,968
Irrevocable undrawn loan commitments	**26,810,870**	25,700,148
	93,139,321	96,478,137

Impairment losses
The ageing of Islamic financing and investment products, loans and receivables, other non-current assets and trade/contract receivables at the reporting date is as under:

31 December 2014

	Gross ***AED'000***	***Impairment*** ***AED'000***
Neither past due nor impaired	**281,297,530**	**-**
Past due but not impaired		
Past due 1 – 90 days	**9,475,368**	**-**
Past due 91 – 365 days	**2,055,272**	**-**
Past due and impaired	**21,842,977**	**17,561,304**
Collective provision	**-**	**4,349,163**
Total	**314,671,147**	**21,910,467**

31 December 2013

	Gross *AED'000*	*Impairment* *AED'000*
Neither past due nor impaired	243,845,185	-
Past due but not impaired		
Past due 1 – 90 days	10,838,732	-
Past due 91 – 365 days	3,368,993	-
Past due and impaired	36,546,171	17,841,017
Collective provision	-	3,951,916
Total	294,599,081	21,792,933

38 FINANCIAL RISK MANAGEMENT (continued)

38.1 Credit risk (continued)

Impairment losses (continued)
The past due and impaired amount primarily represents amounts due from certain customers against which the Group believes that existing impairment loss provision is adequate and considers that the balance amount is fully recoverable.

The movement in the allowance for impairment in respect of Islamic financing and investment products, loans and receivables, other non-current assets and trade/contract receivables during the year was as follows:

	2014 ***AED'000***	*2013* *AED'000*
Balance at the beginning of the year	**21,792,933**	17,680,365
Charge during the year – net of recoveries	**4,931,551**	4,439,137
Amounts written off	**(4,704,271)**	(223,726)
Interest unwind on impaired loans and receivables	**(87,136)**	(93,387)
Exchange and other adjustment	**(22,610)**	-
Transfer to asset held for sale	**-**	(9,456)
At 31 December	**21,910,467**	21,792,933

38.2 Liquidity risk

Liquidity risk is the risk of not meeting financial obligations as they fall due. Liquidity risk mainly relates to trade and other payables (including amounts due to related parties), borrowings and lease liabilities, Islamic customer deposits and customer deposits. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due without incurring unacceptable losses or risking damage to the Group's reputation. Each subsidiary also has responsibility for managing its own liquidity risk. The Group manages its liquidity by:

- setting appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements;
- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- maintaining a portfolio of marketable assets that can be easily liquidated as protection against any unforeseen interruptions to cash flow; and
- maintaining adequate cash reserves and banking facilities by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including interest payments and the impact of netting of agreements at the reporting date:

Financial liabilities	***Carrying amount AED'000***	***Contractual cash flows AED'000***	***Less than one year AED'000***	***More than one year AED'000***
31 December 2014				
Customer deposits	**185,709,684**	**187,501,861**	**180,599,661**	**6,902,200**
Islamic customer deposits	**46,304,969**	**46,425,797**	**45,886,329**	**539,468**
Borrowings and lease liabilities	**163,468,189**	**182,788,252**	**50,467,404**	**132,320,848**
Other non-current payables	**1,449,020**	**1,472,196**	**-**	**1,472,196**
Customer acceptances	**3,859,864**	**3,859,864**	**3,859,864**	**-**
Repurchase agreements with banks	**35,369**	**35,369**	**35,369**	**-**
Trade and other payables	**56,539,026**	**56,539,026**	**56,346,376**	**192,650**
Negative fair value of derivatives	**2,321,102**	**2,338,210**	**1,010,362**	**1,327,848**
Total	**459,687,223**	**480,960,575**	**338,205,365**	**142,755,210**

38 FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

Financial liabilities	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2013				
Customer deposits	174,030,933	176,039,430	168,925,197	7,114,233
Islamic customer deposits	38,493,334	39,871,491	27,430,423	12,441,068
Borrowings and lease liabilities	147,963,931	166,840,169	54,157,817	112,682,352
Other non-current payables	1,426,139	1,426,139	-	1,426,139
Customer acceptances	4,986,419	4,986,419	4,986,419	-
Repurchase agreements with banks	67,129	67,129	67,129	-
Trade and other payables	51,734,354	51,734,354	51,539,912	194,442
Negative fair value of derivatives	2,282,653	2,271,802	1,382,679	889,123
Total	420,984,892	443,236,933	308,489,576	134,747,357

38.3 Market risk

Market risk is the risk that changes in market prices, such as equity prices, commodity prices, interest / profit rates and foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Certain subsidiaries buy and sell derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the respective subsidiaries' governing committees.

Market risk specific to banking operations

To capture the multi-dimensional aspects of market risk, a number of metrics including VaR as an overall risk measure and a number of risk measures appropriate to the trading portfolios are used. The banking subsidiary VaR system for Value-at-Risk calculations, scenario building, and stress testing. The VaR is calculated for specific asset classes and in Total using the Historical Simulation method and measured at the 99% confidence level over a specified horizon (holding period).

The VaR system has been configured to highlight the independent impact of the market risk factors that contributes to total VaR. Thus the banking subsidiary measures VaR by the following risk types:

- Interest rate VaR
- Foreign Exchange VaR
- Equity VaR
- Commodity VaR
- Total VaR

The year-end VaR numbers reported below have been derived using the following configuration:

- Confidence level: 99%
- Holding period: 1 day
- Methodology: Historical Simulation using 2 years of historical data

38 FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

Market risk specific to banking operations (continued)

Total Value at Risk

By Asset class **Trading**	***Average*** ***AED'000***	***Maximum*** ***AED'000***	***Minimum*** ***AED'000***	***Actual **** ***AED'000***
31 December 2014				
Interest rate risk	**5,232**	**9,502**	**435**	**3,841**
Foreign exchange risk	**6,025**	**13,085**	**29**	**12,216**
Commodity risk	**7**	**59**	**-**	**-**
Credit trading risk	**2,678**	**5,557**	**120**	**1,005**

By Asset class Trading	*Average* *AED'000*	*Maximum* *AED'000*	*Minimum* *AED'000*	*Actual ** *AED'000*
31 December 2013				
Interest rate risk	2,810	9,797	473	1,639
Foreign exchange risk	3,618	10,723	76	139
Commodity risk	751	1,452	-	-
Credit trading risk	1,835	4,074	151	2,343
Equity risk	2,111	5,480	-	-

* Note that the sum of asset class VaR metrics does not add up to the reported Total VaR metric due to diversification and cross correlation effects.

38.3.1 Equity price risk

Equity price risk arises from investments in marketable equity securities designated as either available-for-sale financial assets or those designated as fair value through profit or loss. Subsidiaries of the Group monitor the mix of marketable securities in their investment portfolios based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors or other appropriate authority of the respective subsidiaries. The primary objective of the investment strategy is to maximise investment returns and maintain adequate liquidity to meet any unforeseen contingencies.

Equity price risk – sensitivity analysis
The Group's quoted equity investments are listed on various stock exchanges in the global markets, mainly in the UAE. A five percent increase in the equity prices would have increased the fair value of the quoted securities by AED 747,610 thousand (2013: AED 312,135 thousand); an equal change in the opposite direction would have decreased the fair value of the quoted securities by AED 747,610 thousand (2013: AED 312,135 thousand). The following table demonstrates the sensitivity of the Group's equity and profit to a 5 percent change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Effect on profit AED'000	***Effect on equity AED'000***
31 December 2014		
Effect of changes in quoted equity portfolio of the Group	**21,048**	**747,610**

	Effect on profit AED'000	*Effect on equity AED'000*
31 December 2013		
Effect of changes in quoted equity portfolio of the Group	23,808	312,135

38 FINANCIAL RISK MANAGEMENT (continued)

38.3.2 Commodity price risk

One of the Group's subsidiary is exposed to price risk on oil commodities (including jet fuel). This subsidiary manages its exposure to change in oil prices by use of commodity derivative instruments (i.e. commodity futures and options) thereby seeking to minimise the potential adverse effects on the Group's financial performance.

As prices and exchange rates fluctuate, the hedging contracts entered into will generate gains and losses that will be offset by changes in the value of the underlying items being hedged. There may be an exposure to losses in the future if the counterparts to the above contracts fail to perform. The hedging contracts are with counterparts that are financial institutions of repute and management is satisfied that the risk of such non-performance is remote.

Commodity price risk – sensitivity analysis
An increase in the prices of the oil prices would have increased / (decreased) equity and profit respectively by the amounts shown below. This analysis assumes that all other variables remain constant.

Commodities

	Equity AED'000	***Profit AED'000***
31 December 2014		
Oil prices (5%)	**106,740**	**106,740**
	Equity AED'000	*Profit AED'000*
31 December 2013		
Oil prices (5%)	(65,878)	(65,878)

38 FINANCIAL RISK MANAGEMENT (continued)

38.3.3 Interest / profit rate risk

The Group is exposed to interest / profit rate fluctuations in the financial market with respect to investments in marketable securities (primarily bonds), Islamic financing and investment products, loans and receivables, fair value of derivatives, cash and deposits with banks, customer deposits, Islamic customer deposits, borrowings and lease liabilities and repurchase agreements with banks.

Certain subsidiaries manage their interest / profit rate risk by entering into various interest rate swap contracts. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Details of interest rate swap contracts (including the nominal values, fair values and the maturity of contracts) are disclosed in Note 29.

Banking operations
Emirates NBD PJSC (the "Bank"), the banking subsidiary of the Group, measures, monitors and manages the interest rate risk in its banking book that constitutes repricing risk, yield curve risk, basis risk, and optionality, as appropriate.

Interest Rate Risk in the Banking Book ("IRRBB") is defined as the exposure of the non-trading products of the Bank to interest rates. Non-trading portfolios include all banking book positions that arise from the interest rate on the Bank's consumer and commercial banking assets and liabilities, and financial investments designated as available-for-sale and held to maturity. IRRBB arises principally from mismatches between the future yields on assets and their funding costs, as a result of interest rate changes. Analysis of this risk is complicated by having to make assumptions on embedded optionality within certain product areas such as the incidence of prepayments in consumer loans, and from behavioral assumptions regarding the economic duration of liabilities which are contractually repayable on demand such as current accounts.

In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to treasury department under the supervision of the Bank's Asset and Liability Committee ("ALCO"), through Funds Transfer Pricing (FTP) Systems. The Bank's ALCO is required to regularly monitor all such interest rate risk positions to ensure they comply with interest rate risk limits.

The Asset Liability Management ("ALM") Function of the Bank is responsible for IRRBB measurement, monitoring and control and reports risk exposures independently to the Bank's ALCO. The Bank's ALCO reviews that the assumptions (used to transform positions into interest rate exposures) are reasonable and commensurate with the nature and complexity of the Bank's holdings.

For measuring overall sensitivity in the banking book, the Bank conducts stress tests by simulating parallel shifts to the yield curve(s) ranging from 50 basis points to 200 basis points, and assessing the corresponding impact on its net interest income.

	31 December 2014		*31 December 2013*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**7,631,305**	**824,034**	7,915,412	982,456
Base Case	**6,807,271**	**-**	6,932,955	-
Rates Down 200 bp	**6,445,638**	**(361,633)**	6,461,028	(471,927)

The interest rate sensitivities set out in the table above are based on simplified scenarios i.e. the projections above assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential effect on net interest income of some rates changing while others remain unchanged. This effect does not incorporate actions that would be taken by treasury or in the business units to mitigate the impact of this interest rate risk. In practice, treasury seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections make other simplifying assumptions too, including that all positions run to maturity.

To measure and manage interest rate risk and its possible impact on Economic Value of the entity, the Bank has established internal limits based on the PV01. The interest rate gaps and sensitivity tests (NII and PV01) are measured on a monthly basis by ALM Function of the Bank, and monitored by its ALCO.

38 FINANCIAL RISK MANAGEMENT (continued)

38.3.3 Interest / profit rate risk (continued)

Non-banking operations

The table below shows the effect of a change of 100 basis points in interest/profit rate relating to the interest/profit bearing financial assets/liabilities of non-banking operations of the Group at the reporting date on the consolidated income statement. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	31 December 2014		*31 December 2013*	
	Effect on		*Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp	**116,511**	**617,630**	146,479	506,668

38.3.4 Currency risk

Banking operations

The banking subsidiary of the Group is not significantly exposed to currency risk which is a component of market risk since its assets and liabilities are predominantly in AED and pegged currencies.

Non-Banking operations

The Group is exposed to currency risk on certain sales, purchases and investments that are denominated in a currency other than the functional currency of the Group (i.e. AED). In respect of monetary assets and liabilities denominated in USD, there is no exchange risk involved presently as AED is pegged to USD. The currencies, other than AED and USD, in which significant transactions and balances are denominated, are Sterling Pounds ("GBP"), EURO and Singapore Dollars ("SGD"). The Group closely monitors its currency rate trends and the related impact on revenues and proactively manages its currency exposure from its revenue related activities.

The following significant exchange rates were applied during the current year:

31 December 2014	***Average rate AED***	***Reporting rate (spot rate) AED***
SGD	**2.90**	**2.77**
GBP	**6.05**	**5.70**
EURO	**4.88**	**4.46**

31 December 2013	*Average rate AED*	*Reporting rate (spot rate) AED*
SGD	2.93	2.98
GBP	5.74	6.06
EURO	4.88	5.06

38 FINANCIAL RISK MANAGEMENT (continued)

38.3.4 Currency risk (continued)

Non-Banking operations (continued)

Currency rate risk - sensitivity analysis
A 10 percent strengthening of the AED against the various significant currencies at 31 December would have correspondingly increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2014	***Effect on***	
	Equity AED'000	***profit AED'000***
SGD	**2,830**	**2,709**
GBP	**(753,383)**	**(1,032)**
EURO	**21,809**	**(3,298)**

31 December 2013	*Effect on*	
	Equity AED'000	*profit AED'000*
SGD	4,475	4,475
GBP	18,204	568
EURO	14,499	(5,420)

38 FINANCIAL RISK MANAGEMENT (continued)

38.4 Capital management

38.4.1 Capital management (banking operations)

The Central Bank of UAE supervises the banking subsidiary of the Group on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Bank as a whole. The capital is computed at a level using the Basel II framework of the Basel Committee on Banking Supervision ("Basel Committee"), after applying the amendments advised by the Central Bank, within national discretion. The Basel II framework is structured around three 'pillars': minimum capital requirements (Pillar I); supervisory review process (Pillar II); and market discipline (Pillar III).

Minimum Capital Requirements

For implementing current capital requirements, the Central Bank of UAE requires the Bank to maintain a prescribed minimum ratio of total capital to total risk-weighted assets of 12% (of which Tier I to be 8%).

The tiered components of Bank's regulatory capital comprise of:

- Tier I capital includes share capital, legal, Tier 1 capital notes, statutory and other reserves, retained earnings, non-controlling interest after deductions for goodwill and intangibles and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier II capital includes qualifying subordinated debt, undisclosed reserve and fair value reserve.

The Group is compliant with the Standardised Approach for Credit, Market and Operational Risk (Pillar I) with effect from 31 December 2007.

The capital adequacy ratio as per Basel II framework is given below:

	2014 AED'000	*2013 AED'000*
Tier I Capital		
Issued capital	**5,557,775**	5,557,775
Share premium reserve	**12,270,124**	12,270,124
Legal and statutory reserve	**2,778,888**	2,778,888
Other reserves	**2,797,794**	2,874,876
Retained earnings	**13,031,219**	9,825,643
Tier 1 Capital notes	**9,477,076**	7,648,497
Non-controlling interests	**4,926**	4,525
Total tier I Capital	**45,917,802**	40,960,328
Less: Goodwill and intangibles	**(6,156,380)**	(6,262,498)
Less: Treasury shares	**(46,175)**	(46,175)
Total	**39,715,247**	34,651,655
Tier II Capital		
Undisclosed reserves / general provisions	**4,348,163**	3,951,916
Cumulative changes in fair value	**401,081**	360,522
Hybrid (debt / equity) capital instruments	**-**	2,870,529
Subordinated debt	**3,869,898**	3,844,168
Total	**8,619,142**	11,027,135
Of which: Eligible tier II capital	**6,670,128**	9,911,753
Total regulatory capital	**46,385,375**	44,563,408

38 FINANCIAL RISK MANAGEMENT (continued)

38.4 Capital management (continued)

38.4.1 Capital management (banking operations) (continued)

RISK WEIGHTED EXPOSURE

	2014	*2013*
	AED'000	*AED'000*
Credit risk	**191,931,999**	209,194,418
Market risk	**6,961,239**	2,811,678
Operational risk	**21,346,673**	14,916,688
Total	**220,239,911**	226,922,784
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	**21.06%**	19.64%
Total Tier I regulatory capital as a percentage of total risk weighted assets	**18.03%**	15.27%

The Bank has a robust capital adequacy assessment, monitoring and reporting process, it is pro-actively advancing its internal capital adequacy assessment framework along the lines of Basel II and in anticipation of Basel III.

The Bank's forward-looking internal capital adequacy assessment process is based on the Bank's financial budget projections. Various stress scenarios are considered to assess the strength of Bank's capital adequacy over a three year period.

The implemented internal capital adequacy assessment process is based on Economic Capital and defines adequacy as balance of capital supply, in form of available financial resources, and capital demand, in form of cushion against unexpected losses.

The Bank measures capital adequacy as "the capability to withstand unexpected losses at a confidence level of 99.9% through its capital base including projected net-income post dividend and provisions" with the latter measure being the key measure for the adequacy assessment.

The results of the internal capital adequacy assessment process, quarterly actual assessment as well as the annual multi-year forward-looking forecast are monitored against the Bank's Risk Strategy.

The Bank employs an Integrated Stress Testing Framework to quarterly assess the potential implications of adverse financial conditions and the development of key ratios under stressful conditions. The outcomes of the Integrated Stress Testing Framework influence the setting of the Bank's risk appetite as part of the Bank's periodical Risk Strategy review.

The Integrated Stress Testing Framework encompasses

- the forward-looking assessment of economic scenarios, including potential feedback loops and second round effects,
- the measurement of sensitivities against key risk drivers and parameters, as well as,
- the analysis of reverse stress tests modelling events that could cause a significant impact on the Bank, and provides by that a comprehensive analysis on the potential impact in terms of balance sheet structure, financial performance, capitalisation levels and funding profile.

The Bank's stress testing process involves key stake-holders of Group Finance, the Bank's economist and the business units in order to develop economically relevant scenarios and include the views of key stakeholders. The results of the quarterly stress testing exercises are discussed at Senior Management and Board level.

38 FINANCIAL RISK MANAGEMENT (continued)

38.4 Capital management (continued)

38.4.1 Capital management (banking operations) (continued)

In addition, the Bank uses the results of the Integrated Stress Testing Framework to assess the outcome and stability of the employed Economic capital models.

The Bank manages a number of funds which are not consolidated in the consolidated financial statements. The funds have no recourse to the general assets of the Bank; further the Bank has no recourse to the assets of the funds. Third party funds managed by the Bank were AED 10,750 million at 31 December 2014 (2013: AED 7,477 million).

38.4.2 Capital management (non-banking operations)

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise value for the Government.

The Group manages its capital structure in light of changes in business conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings aggregating to AED 140,468,779 thousand as at 31 December 2014 (2013: AED 119,399,592 thousand).

The Group has certain bank borrowing arrangements which require maintaining certain ratios and shareholding structure. Apart from these requirements and subordination of funding provided by the shareholders of certain subsidiaries, neither ICD nor any of its subsidiaries are subject to any additional externally imposed capital requirements.

39 MATERIAL PARTLY OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operations	***2014***	*2013*
Name			
Emirates NBD PJSC	UAE	**44.36%**	44.36%
Dragon Oil plc	Republic of Ireland / UAE	**46.00%**	46.00%

	2014 (AED'000)	*2013 (AED'000)*
Balances of material non-controlling interests:		
Emirates NBD PJSC*	**26,517,564**	19,273,527
Dragon Oil plc	**6,287,925**	5,475,827
Profit allocated to material non-controlling interests:		
Emirates NBD PJSC	**2,549,029**	1,628,841
Dragon Oil plc	**1,099,718**	866,587
Dividend / interest paid to material non-controlling interests:		
Emirates NBD PJSC*	**1,122,274**	739,472
Dragon Oil plc	**315,517**	248,834

* These include Tier 1 capital notes and interest thereon.

39 MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income for the year ended 2014:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Profit for the year from continuing operations	**5,139,030**	**2,390,690**
Total comprehensive income	**5,152,079**	**2,390,690**

Summarised statement of financial position as at 31 December 2014:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Current assets	**219,465,808**	**10,936,723**
Non-current assets	**143,555,183**	**6,950,697**
Current liabilities	**267,721,609**	**3,777,481**
Non-current liabilities	**48,536,465**	**823,075**

Summarised cash flow statement information for year ended 31 December 2014:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Net cash from operating activities	**9,691,717**	**3,020,225**
Net cash from / (used in) investing activities	**1,640,599**	**(2,304,365)**
Net cash from / (used in) financing activities	**6,494,919**	**(679,750)**
Net increase in cash and cash equivalents	**17,827,235**	**36,110**

Summarised statement of comprehensive income for the year ended 2013:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Profit for the year from continuing operations	3,256,366	1,883,890
Total comprehensive income	3,473,838	1,883,890

39 MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

Summarised statement of financial position as at 31 December 2013:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Current assets	211,347,188	10,110,076
Non-current assets	130,714,087	6,045,959
Current liabilities	258,300,159	3,603,503
Non-current liabilities	42,045,804	647,373

Summarised cash flow statement information for year ended 31 December 2013:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Net cash (used in) / from operating activities	(3,636,531)	2,915,789
Net cash from / (used in) investing activities	1,838,721	(3,311,495)
Net cash from / (used in) financing activities	4,125,693	(500,219)
Net increase/(decrease) in cash and cash equivalents	2,327,883	(895,925)

40 OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities, which is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's management.

For such monitoring and evaluation purposes, the Group is organised into the following three major reportable operating segments:

- Transportation and related services: This segment comprises primarily of passenger and commercial air transportation (including retail of consumer goods and in-flight catering), airport handling operations, aircraft handling and engineering services, other travel related services, aircraft leasing and MRO services;
- Oil and gas products/services: This segment comprises of upstream oil and gas production and downstream marketing and retailing of oil and gas functions; and
- Banking and other financial services: This segment comprises of banking operations, non-bank financial institutions, holding and administering of interests in the financial exchanges and financial transaction management advisory services.

Other segments are components of the Group's business activities that need not be disclosed separately as per the criteria specified under IFRS 8- Operating Segments. A brief description of these businesses is as follows:

- Retail trade: Primarily comprises of duty free retail services at Dubai's airports, ownership and operations of supermarkets and retail services, and trading of goods and services across various sectors such as automobiles and industrial machinery.
- Rental income: Primarily comprises of income from operating leases of buildings and from rental of exhibition and convention centres;
- Hotels and leisure: Primarily comprises of the hotels owned by the Group and related operations.
- Contract revenue: Comprises of income from structural steelwork manufacturing.
- Other investment income: Primarily comprises of investment operations.

40 OPERATING SEGMENTS (continued)

Financial information in relation to the various operating segments of the Group has been presented as under:

2014:	***Banking and other financial services AED'000***	***Transportation and related services AED'000***	***Oil and gas products/ services AED'000***	***Others AED'000***	***Total AED'000***
Revenues					
Revenue from external customers	**16,326,155**	**99,420,932**	**71,196,785**	**11,420,195**	**198,364,067**
Results:					
Profit for the year from continuing operations before tax	**10,184,213**	**5,506,257**	**3,726,726**	**3,258,214**	**22,675,410**
Assets and liabilities:					
Segmental Assets	**365,528,895**	**136,860,228**	**73,055,414**	**96,834,127**	**672,278,664**
Segmental Liabilities	**298,552,041**	**99,501,703**	**44,345,297**	**39,853,576**	**482,252,617**

2013:	*Banking and other financial services AED'000*	*Transportation and related services AED'000*	*Oil and gas products/ services AED'000*	*Others AED'000*	*Total AED'000*
Revenues					
Revenue from external customers	13,942,382	90,152,111	63,965,749	10,202,558	178,262,800
Results:					
Profit for the year from continuing operations before tax	4,534,970	4,248,264	5,069,087	2,844,768	16,697,089
Assets and liabilities:					
Segmental Assets	337,331,219	119,593,389	64,341,047	65,431,970	586,697,625
Segmental Liabilities	279,235,452	86,296,032	38,646,665	38,292,861	442,471,010

One of the Group's entities engaged in industrial manufacturing had been classified as a disposal group held for sale as at 31 December 2013 and accordingly had not been considered for IFRS 8 – Operating Segments disclosure.

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The extent of ICD's ownership in significant subsidiaries, associates and joint ventures and their principal activities is as follows:

SUBSIDIARIES:

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
List of subsidiaries of ICD				
Emirates NBD PJSC	**55.64%**	55.64%	UAE	Banking
Dubai Aluminium (see note 23)	**-**	100.00%	UAE	Aluminium smelter
Emirates National Oil Co. Limited (ENOC) LLC	**100.00%**	100.00%	UAE	Development and production of oil and gas, gas gathering and processing, production and selling of MTBE, marketing of petroleum products and retailing at service stations, oil trading, terminalling and storage, condensate processing, aviation fuel marketing, lubricant marketing, bunkering and oil related shipping activities
Dubai World Trade Centre (LLC)	**100.00%**	100.00%	UAE	Management of Dubai World Trade Centre Complex
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Emirates	**100.00%**	100.00%	UAE	Commercial air transportation which includes passenger, cargo and postal carriage services, wholesale and retail of consumer goods, in-flight and institutional catering and hotel operations
Dnata/dnata World Travel	**100.00%**	100.00%	UAE	Aircraft handling and engineering services, handling services for export and import cargo, information technology services, representing airlines as their general sales agent, travel agency and other travel related services and inflight and institutional catering
Cleveland Steel Emirates LLC	**51.00%**	51.00%	UAE	Structural steel manufacture

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Dubal Holding LLC	**100.00%**	100.00%	UAE	Investment company in commercial/industrial enterprises and management
Borse Dubai Limited	**89.72%**	89.72%	UAE	Acquire and hold interests in undertakings operating or active in the financial exchange sector as well as the administration, development and management of such holdings
Aswaaq LLC	**99.00%**	99.00%	UAE	Retail trading
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information technology services for DNRD
Golf in Dubai LLC	**99.00%**	99.00%	UAE	Managing of Golf events
Dubai Duty Free Establishment	**100.00%**	100.00%	UAE	Duty Free operations at airports
Dubai Silicon Oasis Authority	**100.00%**	100.00%	UAE	Property related operations
Dubai Airport Freezone Authority	**100.00%**	100.00%	UAE	Property related operations
National Bonds Corporation PJSC	**100.00%**	100.00%	UAE	Finance investment company primarily engaged in promoting and setting-up all types of investment funds and projects, and acting as an investment manager.
Dubai Aerospace Enterprises (DAE) Limited	**68.36%**	68.36%	UAE	Operations in aircraft leasing, maintenance, repair and over haul.
D Clear Europe Ltd	**100.00%**	100.00%	UK	Development, distribution and service of its transaction lifecycle Management Software products and Data Management services.
ICD Funding Limited	**100.00%**	-	Cayman Islands	Investment company
Atlantis the Palm Holding Co. Ltd.	**100.00%**	-	UAE	Hotel operations

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
AMSA Holding FZE	**100.00%**	-	UAE	Owning and leasing of properties
Gazelle Finance Limited	**100.00%**	-	Cayman Islands	Special purpose vehicle for holding investments
Future City Global Investment LLC	**100.00%**	100.00%	UAE	Investment company in commercial enterprises and management
Al Salwa Investment LLC	**100.00%**	100.00%	UAE	Holding and proprietary investments Company
One Za'abeel LLC	**100.00%**	100.00%	UAE	Management of real estate
Sanad Dubai LLC	**100.00%**	100.00%	UAE	Real estate holding and trust company
Iceberg Limited	**100.00%**	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Pelegen LLC	**100.00%**	100.00%	UAE	Engage in real estate management services
Solidity LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for holding investments
Unity LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for unregulated proprietary transactions relating to financial instruments including derivatives
Iceberg 2 Limited	**100.00%**	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Deira Waterfront Development LLC	**100.00%**	100.00%	UAE	Property development management
ICD Asset Management LLC	**100.00%**	100.00%	UAE	Facilities management services
List of subsidiaries of Emirates NBD PJSC				
Buzz Contact Centre Solutions LLC	**100.00%**	100.00%	UAE	Call centre management services
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic Banking
E.T.F.S. LLC	**100.00%**	100.00%	UAE	Trade finance services
Emirates Financial Services PSC	**100.00%**	100.00%	UAE	Fund management
Emirates Funds Managers (Jersey) Limited	**100.00%**	100.00%	UK	Asset management

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates NBD PJSC (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Emirates NBD Global Funding Limited	**100.00%**	100.00%	Cayman Island	Medium term borrowing and money market transactions
Emirates NBD Asset Management Limited	**100.00%**	100.00%	UAE	Asset management
Emirates Islamic Bank PJSC	**99.90%**	99.90%	UAE	Islamic Banking
Emirates NBD Trust Company (Jersey) Limited	**100.00%**	100.00%	UK	Trust administration services
Emirates NBD Securities LLC	**100.00%**	100.00%	UAE	Brokerage services
Emirates NBD Properties LLC	**100.00%**	100.00%	UAE	Real estate
Emirates Money Consumer Finance LLC	**100.00%**	100.00%	UAE	Consumer finance
Emirates Fund LLC	**100.00%**	100.00%	UAE	Assets Management
Emirates NBD Capital (KSA) LLC	**100.00%**	100.00%	KSA	Investment services
KSA Mortgage Company	**100.00%**	100.00%	KSA	Nominee Company for Mortgage Business
ENBD London Branch Nominee Company	**100.00%**	100.00%	UK	Asset Management
Emirates NBD Egypt S.A.E (formerly known as BNP Paribas Egypt S.A.E)	**100.00%**	100.00%	Egypt	Banking
Tanfeeth LLC	**100.00%**	100.00%	UAE	Shared services organization
Group tranche of Emblem Finance Company No. 2 Limited	**100.00%**	100.00%	UAE	Asset securitisation
Emirates NBD Auto Financing Limited	**100.00%**	100.00%	UAE	Asset securitisation
Emirates NBD Auto Finance Limited	**100.00%**	100.00%	UAE	Asset securitisation

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates NBD PJSC (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
ENBD Asset Finance Company No.1 Limited	**100.00%**	100.00%	Republic of Ireland	Asset securitisation
ENBD Asset Finance Company No.2 Limited	**100.00%**	100.00%	Cayman Island	Asset securitisation
Emirates NBD Tier 1 Limited	**100.00%**	100.00%	Cayman Island	Asset securitisation
Emirates NBD 2014 Tier 1 Limited	**100.00%**	-	Cayman Island	Asset securitisation
EIB Sukuk Limited	**100.00%**	-	Cayman Island	Asset securitisation
List of subsidiaries of National Bonds Corporation PJSC				
National Bonds Limited FZE	**100.00%**	100.00%	UAE	Investment
First Wharf Tower LLC	**100.00%**	100.00%	UAE	Real estate development
National Properties LLC	**100.00%**	100.00%	UAE	Management services
Sky Courts LLC	**100.00%**	100.00%	UAE	Real estate development
BCS LLC	**-**	51.00%	UAE	Facilities management
National Healthcare LLC	**100.00%**	100.00%	UAE	Healthcare
Dubai Cup LLC	**100.00%**	100.00%	UAE	Sports clubs & facility management
Alpha Utilities Management Services LLC	**100.00%**	100.00%	UAE	Sewage and drainage service
List of subsidiaries of Dubai Aluminium (see note 23)				
Dubal America Inc.	**-**	100.00%	USA	Aluminium supply
Dubal Korea Limited	**-**	100.00%	Korea	Aluminium supply
Dubal Europe AG	**-**	100.00%	Switzerland	Aluminium supply
Dubal EU Imports S.R.L.	**-**	100.00%	Italy	Aluminium supply
Dubai Aluminium Enterprises Limited	**-**	100.00%	British Virgin Islands	Aluminium supply
List of subsidiaries of Borse Dubai Limited				
Dubai Financial Market PJSC (DFM)	**79.70%**	79.70%	UAE	Electronic Financial Market
Nasdaq Dubai Limited (NASDAQ Dubai)	**86.42%**	86.42%	UAE	Electronic Financial Market

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Dubai Natural Gas Company Limited	**100.00%**	100.00%	UAE	Gas processing
Emirates Gas LLC	**100.00%**	100.00%	UAE	Bottling and sale of LPG
Emirates National Oil Company (Singapore) Private Limited	**100.00%**	100.00%	Singapore	Petroleum supply & trading
ENOC Processing Company LLC	**100.00%**	100.00%	UAE	Petroleum refining
ENOC Properties LLC	**100.00%**	100.00%	UAE	Property & facility management
ENOC Supply and Trading LLC	**100.00%**	100.00%	UAE	Petroleum supply & trading
Emirates Petroleum Products Company LLC. (EPPCO) LLC	**100.00%**	100.00%	UAE	Gasoline retailing
Global Technology Services LLC	**100.00%**	100.00%	UAE	IT projects and services
Horizons Terminals Limited	**100.00%**	100.00%	Bahamas	Terminalling holding company
Horizon Jebel Ali Terminals Limited	**100.00%**	100.00%	Bahamas	Chemical terminal
Cylingas Company LLC	**100.00%**	100.00%	UAE	Tank fabrication and cylinder manufacturing
Dragon Oil Plc	**54.00%**	54.00%	Republic of Ireland	Oil and gas exploration and production
ENOC Marketing LLC	**100.00%**	100.00%	UAE	Petroleum sales and marketing
Horizon Singapore Terminals Private Limited	**52.00%**	52.00%	Singapore	Petroleum terminal
ENOC Fuel Supply Company LLC	**100.00%**	100.00%	UAE	Petroleum supply and trading
ENOC Commercial & Distribution LLC	**100.00%**	100.00%	UAE	Petroleum sales and marketing
ENOC Lubricants & Grease Manufacturing Plant LLC	**100.00%**	100.00%	UAE	Lubricants and grease manufacturing
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Emaratech (Emarat Technology Solutions) FZ LLC

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Aamal (Sole Establishment)	**100.00%**	100.00%	UAE	Services for typing, photocopying document clearing, and facilities management
Datel System & Software LLC	**100.00%**	100.00%	Jordan	Installation and operation of e-gates in Kingdom of Jordan.
Zajel Courier Services (sole establishment)	**100.00%**	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport
Emirates Real Estate Services (sole establishment)	**100.00%**	100.00%	UAE	Information technology consultancy and operations.
Zajel FZE, UAE	**100.00%**	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport.

List of subsidiaries of Dubai Airport Freezone Authority

DAFZA Investments FZE	**100.00%**	100.00%	UAE	Commercial and industrial investment and providing management services
DAFZA Economics & Free Zone Management FZE	**100.00%**	100.00%	UAE	Managing economic and free zones
Dubai Airport Freezone (USA) Inc	**100.00%**	100.00%	USA	Negotiating and signing service contracts in USA
Free Zone Development FZE	**100.00%**	-	UAE	Providing management services

List of subsidiaries of Dubai Silicon Oasis Authority

Dubai Silicon Oasis Inc. (“DSO Inc”)	**100.00%**	100.00%	USA	Sales and marketing
Dubai Circuit Design FZE (“DCD”)	**-**	100.00%	UAE	Semi-conductor design services
University Development FZE	**100.00%**	100.00%	UAE	University development
Silicon Real Estate LLC	**100.00%**	100.00%	UAE	Incubation centre
DSO-1 FZE	**100.00%**	100.00%	UAE	Holding company
Silicon Oasis Founders FZCO	**100.00%**	100.00%-	UAE	Incubation centre

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Maritime & Mercantile International Holding L.L.C.	**100.00%**	100.00%	UAE	Holding Company
Maritime & Mercantile International L.L.C.	**68.70%**	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail L.L.C.	**68.70%**	68.70%	UAE	Food and beverage operations
Emirates Leisure Retail Holding L.L.C.	**100.00%**	100.00%	UAE	Holding company
Emirates Hotel L.L.C.	**100.00%**	100.00%	UAE	Hotel operations
Emirates Hotel (Australia) Pty Ltd.	**100.00%**	100.00%	Australia	Hotel operations
Emirates Flight Catering Company L.L.C.	**90.00%**	90.00%	UAE	In-flight and institutional catering
Emirates Leisure Retail (Oman) L.L.C.	**70.00%**	70.00%	Oman	Food and beverage operations
Emirates Leisure Retail (Singapore) Pte. Ltd	**100.00%**	100.00%	Singapore	Food and beverage operations
Emirates Leisure Retail (Australia) Pty. Ltd	**100.00%**	100.00%	Australia	Food and beverage operations

List of subsidiaries of Dnata/Dnata World Travel

Dnata Travel (UK) Ltd	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Inc.	**100.00%**	100.00%	Philippines	Aircraft handling services
Dnata International Airport Services Pte Ltd	**100.00%**	100.00%	Singapore	Holding company
Maritime and Mercantile International Travel LLC	**100.00%**	100.00%	UAE	Travel agency
Dnata GmbH	**100.00%**	100.00%	Austria	Holding company
Dnata Switzerland AG	**100.00%**	100.00%	Switzerland	Aircraft handling services

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Dnata/Dnata World Travel (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
Al Hidaya Travel and Tourism WLL	**100.00%**	100.00%	Bahrain	Travel agency
Cleopatra International Travel WLL	**100.00%**	100.00%	Bahrain	Travel agency
Dnata Aviation Services Ltd	**100.00%**	100.00%	UK	Holding company
Mercator Asia Co. Ltd.	**-**	100.00%	Thailand	Information technology services
Dnata for Airport Services Ltd	**100.00%**	100.00%	Iraq	Aircraft handling services
Dnata Catering Services Ltd	**100.00%**	100.00%	UK	Holding company
Alpha Flight Group Ltd	**100.00%**	100.00%	UK	In-flight catering services
Alpha Flight UK Ltd	**100.00%**	100.00%	UK	In-flight catering services
Alpha Flight Services Pty Ltd	**100.00%**	100.00%	Australia	In-flight catering services
Alpha Flight Ireland Ltd	**100.00%**	100.00%	Republic of Ireland	In-flight catering services
Travel Republic Limited	**75.00%**	75.00%	UK	Online travel services
Marhaba Bahrain SPC	**100.00%**	100.00%	Bahrain	Passenger meet and greet services
Airline Cleaning Service Pty Ltd	**100.00%**	100.00%	Australia	Aircraft cleaning service
Dnata Singapore Pte Ltd.	**100.00%**	100.00%	Singapore	Aircraft handling and catering services
Dnata International Private Limited	**100.00%**	100.00%	India	Travel agency
Dnata World Travel Limited	**75.00%**	75.00%	UK	Holding company
Alpha In-Flight US LLC	**100.00%**	100.00%	USA	In-flight catering services
Alpha Rocas SA	**64.20%**	64.20%	Romania	In-flight catering services
Alpha Flight Services UAE	**49.00%**	49.00%	UAE	In-flight catering services
Jordan Flight Catering Company Ltd	**35.90%**	35.90%	Jordan	In-flight catering services

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Dnata/Dnata World Travel (continued)

	Ownership interest 2014	*Ownership interest 2013*	*Country of incorporation*	*Principal activities*
En Route International Limited	**80.00%**	80.00%	UK	Bakery and packaged food solutions
Dnata Limited	**100.00%**	100.00%	UK	Aircraft handling services
Alpha Flight a.s.	**100.00%**	100.00%	Czech Republic	In-flight catering services
Alpha Flight Italia srl	**100.00%**	100.00%	Italy	Holding company
Najm Travel LLC	**100.00%**	100.00%	UAE	Travel agency
Dnata Travel Holdings UK Ltd	**100.00%**	-	UK	Travel services
Air Chef srl	**100.00%**	100.00%	Italy	In-flight catering services
Servizi di Bordo srl	**100.00%**	80.00%	Italy	In-flight catering services
Gold Medal Travel Group plc	**100.00%**	-	UK	Travel services
Airline Network plc	**100.00%**	-	UK	Travel services
Dnata Travel Inc	**100.00%**	-	Philippines	Travel services
Travel Partners LLC	**100.00%**	-	UAE	Travel services
Stella Travel Services (UK) Ltd	**100.00%**	-	UK	Travel services
Stella Global UK Ltd	**100.00%**	-	UK	Travel services

List of subsidiaries of Dubai World Trade Centre

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Novotel World Trade Centre LLC	**100.00%**	100.00%	UAE	Hotel management
Ibis World Trade Centre LLC	**100.00%**	100.00%	UAE	Hotel management
Dubai Association Centre LLC	**100.00%**	100.00%	UAE	Businessman forum
DXB Live LLC	**100.00%**	100.00%	UAE	Event management

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Dubai World Trade Centre (continued)

	Ownership interest 2014	Ownership interest 2013	Country of incorporation	Principal activities
Sevan Sands Emirati Cuisine and Lounge LLC	**100.00%**	-	UAE	Restaurant and catering services
List of subsidiaries of D-Clear Europe Limited				
SmartStream Technologies Group Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Funding Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Acquisitions Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Technologies Holdings Limited	**100.00%**	100.00%	UK	Software Company
SmartStream Technologies Limited	**100.00%**	100.00%	UK	Holding company
SBS International Holdings Limited	**100.00%**	100.00%	UK	Software Company
SmartStream Technologies GmbH	**100.00%**	100.00%	Austria	Software Company
SmartStream Technologies (Deutschland) Gmbh	**100.00%**	100.00%	Germany	Software Company
SmartStream Technologies Schweiz GmbH	**100.00%**	100.00%	Switzerland	Software Company
SmartStream Technologies France S.A	**100.00%**	100.00%	France	Software Company

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of D-Clear Europe Limited (continued)

	***Ownership interest* 2014**	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
SmartStream Technologies Iberia SL	**100.00%**	100.00%	Spain	Software Company
SmartStream Technologies Benelux-Nordic N:V	**100.00%**	100.00%	Belgium	Software Company
SmartStream Technologies Italia Srl	**100.00%**	100.00%	Italy	Software Company
SmartStream Technologies (Asia Pacific) Pte. Ltd	**100.00%**	100.00%	Singapore	Software Company
SmartStream Technologies Inc.	**100.00%**	100.00%	USA	Software Company
African Management Data Pty. Ltd	**100.00%**	100.00%	South Africa	Software Company
Smart Stream Technologies Australia Pty. Ltd	**100.00%**	100.00%	Australia	Software Company
SmartStream Technologies Luxembourg S.A.	**100.00%**	100.00%	Luxembourg	Software Company
SmartStream Technologies India Private Ltd	**100.00%**	100.00%	India	Software Company
SmartStream Technologies (Dubai) LLC	**100.00%**	100.00%	Dubai	Software Company
SmartStream Technologies (Beijing) Co Ltd	**100.00%**	100.00%	China	Software Company
SmartStream Technologies India Distributor Private Ltd	**100.00%**	100.00%	India	Software Company
SmartStream Technologies Netherland B.V	**100.00%**	100.00%	Netherland	Software Company

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Dubai Aerospace Enterprise (DAE) Limited *

	***Ownership interest* 2014**	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Associated Air Center, L.P.	**100.00%**	100.00%	USA	Interior completions for large private aircrafts
DAE Aviations Holdings Inc.	**97.30%**	97.60%	USA	Parent company
DAE Hungary	**100.00%**	100.00%	Hungary	Holding company
DAE U.S. II, Inc.	**99.90%**	99.90%	USA	Holding company
DAE U.S.,Inc.	**100.00%**	100.00%	USA	Provides maintenance, repair and overhaul
Standard Aero (Alliance) Inc.	**100.00%**	100.00%	USA	(MRO) services – Military and regional aviation market
Standard Aero (Asia) PTE Ltd	**100.00%**	100.00%	Asia	Provides MRO services – business aviation markets
Standard Aero (Australia) PTY Ltd	**100.00%**	100.00%	Australia	Provides MRO services – military and general aviation markets
Standard Aero (San Antonio) Inc.	**100.00%**	100.00%	USA	Provides MRO services – aviation market
Standard Aero Business Aviation Services, LLC	**100.00%**	100.00%	USA	Provides MRO services – primarily business jet aviation market
Standard Aero BV	**100.00%**	100.00%	Netherlands	Service centre for Pratt & Whitney turnoprop aircraft engines
Standard Aero de Mexico S.A de C.V	**100.00%**	100.00%	Mexico	Service center
Standard Aero Limited	**100.00%**	100.00%	Canada	Provides MRO services – business, regional and military aviation markets.
Standard Aero Redesign Services Inc.	**100.00%**	100.00%	USA	Provides aircraft operational solutions for business and military organisations
TSS Aviation Inc.	**100.00%**	100.00%	USA	Engine and airframe component repairs for models serviced

* Subsequent to the year end, DAE has signed a definitive agreement to sell 100% of Standard Aero Inc. to an affiliate of Veritas Capital.

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

List of subsidiaries of Atlantis the Palm Holding Company Limited (see note 10)

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Atlantis the Palm Limited	**100.00%**	-	British Virgin Islands	Hotel operations

ASSOCIATES:

List of associates of ICD

Emaar Properties PJSC	**27.50 %**	29.29%	UAE	Property investment and development, property management services, education, healthcare, retail, hospitality and investments in providers of financial services
Dubai Islamic Bank PJSC	**27.91%**	28.63%	UAE	Banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking
Galadari Brothers Company Limited (LLC)	**37.94%**	37.94%	UAE	Company engaged in trading of various goods and services
Dubai Ice Plant and Cold Stores	**28.00%**	28.00%	UAE	Manufacture and sale of ice.
Emirates Investment & Development PSC	**27.92%**	27.92%	UAE	Investment in properties, securities, agriculture, livestock and food, in addition to establishing trading, investing and manufacturing project inside and outside the UAE
Dubai Development Company PJSC	**25.00%**	25.00%	UAE	Real estate development
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment.
Emirates Refreshments PSC	**20.00%**	20.00%	UAE	Bottling and selling mineral water as well as manufacturing plastic packs and bottles
Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
Kerzner International Holdings Limited (see note 15 (a))	**45.11%**	-	Bahamas	Hotel operations and management

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES (continued):

List of associates of Emirates NBD PJSC

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance

List of associates of Emirates National Oil Co. Limited (ENOC) LLC

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Horizon Djibouti Holding Limited	**44.44%**	44.44%	Djibouti	Terminalling holding company
Arabtank Terminals limited	**36.50%**	37.00%	Saudi Arabia	Petroleum and chemical terminal
Gulf Energy Maritime PJSC	**35.62%**	35.62%	UAE	Shipping
Vopak Horizon Fujairah Holding Limited	**33.33%**	33.33%	Gibraltar	Terminalling holding company
Horizon Tangiers Terminals SA	**34.00%**	34.00%	Morocco	Petroleum terminals

List of associates of Dnata/Dnata World Travel

Dubai Express LLC	**50.00%**	50.00%	UAE	Freight clearing and forwarding
Gerry's Dnata (Private) Ltd	**50.00%**	50.00%	Pakistan	Aircraft handling services
MindPearl AG	**49.00%**	49.00%	Switzerland	Contract centre operation
MindPearl South Africa (pty) Ltd.	**49.00%**	49.00%	South Africa	Contract centre operation
Hogg Robinson Group Plc	**22.00%**	22.40%	UK	Corporate travel services
Oman United Agency Travel LLC	**50.00%**	50.00%	Oman	Corporate travel services
Guangzhou Baiyn International Airport Ground Handling Services Company Ltd.	**20.00%**	20.00%	China	Aircraft handling services
Mercator Solutions FZE	**20.00%**	-	UAE	Information technology services
SEA Services srl	**-**	36.00%	Italy	In-flight catering services

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES (continued):

List of associates of Borse Dubai Limited

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Nasdaq OMX Group Inc. (NASDAQ OMX) (see note 41.1)	**17.64%**	17.58%	USA	Stock Exchange
London Stock Exchange plc. (LSE) (see note 15 (c))	**-**	20.65%	UK	Stock Exchange

List of associates of Dubai Silicon Oasis Authority

German Business Park FZCO	**32.00%**	32.00%	UAE	Mix use property development
MENA Network FZCO	**28.00%**	35.00%	UAE	Owning, developing and operating the web portal
2 CVs FZCO	**38.00%**	40.00%	UAE	Owning, developing and operating the web portal

List of associates of National Bonds Corporation PJSC

Souk Extra	**13.07%**	13.07%	UAE	Community shopping centres

List of associates of Dubal Holding LLC

Dubai Carbon Centre of Excellence PJSC (DCCE)	**25.00%**	-	UAE	Consultancy on renewable energy, carbon control system and carbon credit rating

JOINT VENTURES:

List of Joint Venture of ICD

Dubai Cable Company (Private) Limited	**50.00%**	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables.
ICD Brookfield Holdings Bermuda Limited	**50.00%**	50.00%	Bermuda	Property development and management

List of Joint Ventures of Emirates NBD PJSC

Network International LLC	**51.00%**	51.00%	UAE	Card processing services

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

JOINT VENTURES (continued)

List of joint ventures of Dubai Aluminium (see note 23)

	Ownership interest 2014	*Ownership interest* 2013	*Country of incorporation*	*Principal activities*
Emirates Aluminium Company Limited	**-**	50.00%	UAE	Aluminium smelters
DM GAV Limited (Formerly Emirates Aluminium International)	**-**	50.00%	Cayman Island	Investment Company
Hydromine Global Minerals GmbH Limited ("Hydromine")	**-**	45.00%	Cameroon	Bauxite mine and alumina refinery
Guinea Alumina Corporation, BVI ("GAC BVI")	**-**	58.30%	British Virgin Island	Mining

List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC

EPPCO International Limited ("EIL")	**50.00%**	50.00%	Bahamas	Petroleum terminal
Horizon Taeyoung Korea Terminals Ltd.	**50.00%**	50.00%	South Korea	Chemical terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing

List of joint ventures of Dnata/Dnata World Travel

Dnata-PWC Airport Logistics LLC (formerly PAL PAN Airport Logistics LLC	**50.00%**	50.00%	UAE	Logistics services
Transguard Group LLC *	**100.00%**	100.00%	UAE	Security services
Toll Dnata Airport Services Pty Ltd	**50.00%**	50.00%	Australia	Aircraft handling services
Dunya Travel LLC	**50.00%**	50.00%	UAE	Travel agency
SDV UAE LLC *	**25.50%**	25.50%	UAE	Logistics services
Najm Travel LLC	**50.00%**	50.00%	Afghanistan	Travel agency
Al Tawfeeq Travels (Dnata Travels) LLC	**50.00%**	50.00%	Qatar	Travel agency

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

JOINT VENTURES (continued):

List of joint ventures of Dnata/Dnata World Travel (continued)

	Ownership interest 2014	Ownership interest 2013	Country of incorporation	Principal activities
Dnata Travel Limited *	**70.00%**	70.00%	KSA	Travel agency
Dnata Newrest (Pty) Ltd	**50.00%**	33.30%	South Africa	In-flight catering service
Travel Counsellors LLC *	**51.00%**	51.00%	UAE	Travel Services
Alpha LSG Ltd	**50.00%**	50.00%	UK	In-flight catering services
India Premier Services Ltd	**50.00%**	50.00%	India	Passenger meet and greet services
Transecure LLC *	**50.00%**	50.00%	UAE	Security services
Super Bus Tourism LLC *	**75.00%**	-	UAE	Travel agency

* These are subject to joint control

List of joint ventures of Emirates

Emirates-CAE Flight Training LLC	**50.00%**	50.00%	UAE	Flight simulator training
Premier Inn Hotels LLC	**51.00%**	51.00%	UAE	Hotel operations
CAE Flight Training (India) Private Ltd	**50.00%**	50.00%	India	Flight simulator training
CAE Middle East Holdings Limited	**50.00%**	50.00%	UAE	Holding company

List of joint ventures of Dubai World Trade Centre (L.L.C.)

DV Global Link L.L.C ("DV Global")	**51.00%**	-		Event management

List of joint ventures of Dubal Holding LLC (see note 23)

Emirates Global Aluminium PJSC (EGA)	**50.00%**	-	UAE	Aluminium smelters
Sinoway Carbon Co. Ltd	**20.00%**	-	China	Calcined petroleum coke manufacturing facility

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

In a number of cases, the Group owns more than 50% ownership interest in entities and have classified them as associate / joint ventures, as management believes that the Group does not control these entities. The Group has joint control on these entities with other owners and unanimous owner consent is required for strategic financial and operating decisions by these entities.

41.1 Although the Group holds less than 20% of the equity shares of Nasdaq OMX Group Inc, the Group exercises significant influence through having a direct representation on the Board of Directors and accordingly, adopts the equity method of accounting for this investment from acquisition date.