Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Investment Corporation of Dubai ("ICD" or the "Corporation") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

a) Group audit

The Group has a large number of subsidiaries, associates and joint ventures (collectively referred to as the "Components") that are significant to the Group's consolidated financial statements. The geographically decentralised structure increases the complexity of the Group's control environment and affects our ability as Group auditor to obtain an appropriate level of understanding of these Components including any related party transactions. Due to the complexity of the Group structure and the significance of these Components to the Group's consolidated financial statements, this is considered as a key audit matter.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- As part of our audit, we determined the nature and extent of audit procedures to be carried out for Components and selected significant Components based on size and/or the risk profile.

- During our audit, we have specifically focused on risks in relation to the decentralised structure and we have extended our involvement in local audit work performed by the Component auditors.

- We organised site visits, meetings and conference calls with auditors of the Components in our audit scope. We further discussed the audit approach with significant Component auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and the transactions with them. We also set out the information required to be reported back to us as part of group reporting.

Refer to the basis of consolidation in note 2.2 to the consolidated financial statements, note 41 for the listing of Group's significant Components and note 37 for the related party balances and transactions.

b) Impairment of loans and receivables and Islamic financing and investment products

Loans and receivables and Islamic financing and investment products of the Group's commercial and Islamic banking Component, Emirates NBD Bank PJSC and its subsidiaries (the "Bank"), represent a significant part of the total assets. Due to the inherently judgmental nature of the computation of impairment provisions for loans and receivables and Islamic financing and investment products, there is a risk that the amount of impairment allowance may be misstated. We considered this matter as a key audit matter. The impairment of loans and receivables and Islamic financing and investment products is estimated by the Bank's management through the application of judgment and the use of subjective assumptions.

Key audit matters (continued)

b) Impairment of loans and receivables and Islamic financing and investment products (continued)

The corporate loan portfolio generally comprises larger loans that are monitored individually by the Bank's management. The assessment of impairment allowance is therefore based on the Bank's management's knowledge of each individual borrower. However, consumer loans generally comprise much smaller value loans to a much larger number of customers. Provisions are not calculated on an individual basis, but are determined by grouping of products into homogeneous portfolios.

The portfolios are then monitored through delinquency statistics, which drive the assessment of impairment allowance. The portfolios, which give rise to the greatest uncertainty, are typically those where impairments are derived from collective models, are unsecured or are subject to potential collateral shortfalls.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- For corporate customers, the key controls over the credit grading process were tested, to assess if the risk grades allocated to the counterparties were appropriate. A detailed credit assessment of all loans in excess of a defined threshold was performed and loans in excess of a lower threshold in the watch-list category and impaired category together with a selection of other loans.

- For consumer customers, the impairment process is based on projecting losses based on prior historical payment performance of each portfolio, adjusted for current market conditions. The accuracy of key data from the portfolio used in the models was tested in addition to re-performance of key provision calculations.

- The assumptions for collective impairment allowances were compared to externally available industry, financial and economic data. As part of this, estimates and assumptions were critically assessed, specifically in respect to the inputs to the impairment models and the consistency of judgment applied in the use of economic factors, loss emergence periods and the observation period for historical default rates. Specialists were used to assess the appropriateness of the collective impairment calculation methodology.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to impairment of loans and receivables and Islamic financing and investment products, note 2.5 which contains the disclosure of significant accounting estimates relating to impairment against loans and receivables and Islamic financing and investment products, notes 20 and 21 which contain the disclosure of impairment against loans and receivables and Islamic financing and investment products respectively.

Key audit matters (continued)

c) Timing of recognition and accuracy of passenger and cargo revenue

Emirates, the Group's Component operating in the aviation sector, provides commercial air transportation services, which include passenger and cargo services. Emirates contributes a significant portion to the total consolidated revenues of the Group.

When a flight booking is made, passenger and cargo revenue is initially deferred on the consolidated statement of financial position and is measured based on the sales price to the customer, net of commissions and discounts. Revenue is recognised in the consolidated income statement when a passenger or the cargo has flown.

The determination of the amount of revenue to be recognised for each flight requires complex IT systems and involves the exchange of information with industry systems and other airlines for a high volume of transactions. The timing of revenue recognition for unused tickets requires judgement due to the timeframe over which tickets can be utilised varying due to the large number of fare types sold by Emirates.

The management of Emirates has determined the value of unused revenue documents that will not be utilised based on ticket validity and historical expiry trends.

We consider this as a key audit matter because of the complexity of the internal IT systems and the significant level of judgement required by the management of Emirates in determining the timing of recognition of unused revenue documents, in addition to the significance of the revenue from Emirates to the Group.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- A sample of the terms and conditions attached to revenue documents by fare class were reviewed and the understanding of those terms and conditions was applied in evaluating the Emirates' management's judgements used to determine the timing of recognition of unused revenue documents.

- Walkthroughs of the finance and operational processes surrounding the revenue system were performed, utilising understanding from the prior years to reassess the design effectiveness of the key internal controls and identify changes, if any.

- Testing of the operating effectiveness of these controls was performed to obtain sufficient, appropriate evidence that they operated throughout the year as intended.

- Key IT systems that affect the recognition of revenue from passenger and cargo sales were tested including the change control procedures and related application controls.

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Key audit matters (continued)

c) Timing of recognition and accuracy of passenger and cargo revenue (continued)

How key audit matter has been addressed (continued)

- Computer assisted audit techniques were performed over the passenger and cargo revenue and appropriate substantive tests of manual journal entries posted into relevant revenue accounts in the sub-ledger and general ledger were also performed.

- Data supporting Emirates' historical expiry trend in respect of unused revenue documents was obtained. In addition to performing controls based testing as described above, a sample of revenue documents from the source data were tested to ascertain whether they were accurately recorded. The historical expiry data was then compared to that used by Emirates in their calculation of the amount of revenue to recognise from unused revenue documents.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to revenue recognition of airlines and note 2.5 which contains the disclosure of significant accounting estimates relating to the passenger and cargo revenue recognition.

d) Concentration of related party balances

Under IFRS 7 *Financial Instruments: Disclosures*, specific disclosures are required for each type of risk arising from financial instruments. These include qualitative disclosure around how exposures arise and how they are measured and managed, summary quantitative data about an entity's exposure to each type of risk, and information about an entity's credit risk exposures, including significant credit risk concentrations ("concentration risk"). In addition, for government owned entities such as ICD, disclosure is required under IAS 24 *Related Party Disclosures* of a qualitative or quantitative indication of the extent of transactions with the government or related entities.

Note 37 to the consolidated financial statements, describes the Bank's exposure to the Government of Dubai (the "Government"). Significant management judgment is involved in determining the disclosures required by IFRS 7 and IAS 24 to address the concentration and related risks and related party disclosures arising from this balance and the income arising from it. As such, we consider this a key audit matter.

How key audit matter has been addressed

To audit the balances due from the Government and the related income as recorded in the Bank's books of accounts, a combination of tests of controls, analytical review procedures and specific substantive audit procedures was performed to test related parties and transactions. Key controls in the loan and overdraft granting, booking and monitoring processes were identified, documented and tested.

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Key audit matters (continued)

d) Concentration of related party balances (continued)

How key audit matter has been addressed (continued)
Balances were confirmed by the borrower. The calculation of income was re-performed on a sample basis to determine whether it had been recognised in accordance with IFRSs. Minutes of meetings of the Bank's management and those charged with governance were reviewed, and identified related party transactions were compared with those identified by the Bank's management. The adequacy of these disclosures was performed by assessing whether a reasonable user of the consolidated financial statements could understand the exposure of the Group to concentration and related risks, and by considering the ability of such a user to reasonably estimate the extent of transactions with the Government, including the income arising from the receivable balance, based on the disclosures provided.

Please refer note 37 to the consolidated financial statements for details of the related party balances and transactions and note 2.6 for details of the relevant accounting policy adopted by the Group.

e) Valuation of production and development assets
The recoverability of the carrying amount of production and development assets of Emirates National Oil Company (ENOC) and its subsidiaries (collectively referred to as the "ENOC Group"), engaged in oil and gas activities, is dependent upon the future cash flows of the ENOC Group's upstream operations and its estimation of oil and gas reserves.

Management's assessment of the impairment of the ENOC Group's production and development assets, through their value in use model, involves significant judgments, which include:

- Long term oil and gas price outlook beyond five years;
- The estimation of oil and natural gas reserves at the year-end;
- Construction of a Gas Treatment Plant ("GTP") in future and possible access to the gas market once the construction of GTP is complete; and
- Discount factor used.

The outcome of the impairment assessment might have a significant impact on the financial performance of the Group. Therefore, we have considered this matter as a key audit matter.

The ENOC Group engages professionally qualified external independent petroleum engineers to estimate the oil and nature gas reserves at regular intervals. The petroleum engineers follow the definitions and the guidelines of *Petroleum Resource Management System Document* published by the Society of Petroleum Evaluation Engineers (SPE).

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

Key audit matters (continued)

e) Valuation of production and development assets (continued)

How key audit matter has been addressed
The risks outlined above were addressed as follows:

- The ENOC Group's long-term oil and gas price outlook was assessed, which included both long-term and short-term assumptions of oil and gas prices. The short-term price assumptions used by the management of the ENOC Group were compared to the market forward curves. The short and long-term price assumptions were also compared to the views published by brokers, independent analysts and the respective industry bodies, which provide a range of relevant third party forecasts on the oil and gas prices.

- The competence and objectivity of the external independent petroleum engineers engaged by the management of the ENOC Group was assessed and their terms of engagement were read to check that they were appropriately qualified to carry out the estimation of oil and gas reserves and to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work.

- Discussions were held with the external independent petroleum engineers engaged by the management of the ENOC Group to discuss the results of their work. The valuation process, the definitions and the guidelines used and significant changes to the estimated reserves from the prior year were discussed and evaluated.

- The plan for the construction of GTP, the technical feasibility of the project and the current status of awarding of the contract was assessed by reviewing the detailed internal project plan.

- The mathematical accuracy of the value-in-use model prepared by the management of the ENOC Group was verified and agreed the reserves incorporated in the model with the reports submitted by the external valuer.

- The discount rate used in the value in use model was corroborated by benchmarking this against risk rates used in the jurisdiction in which the ENOC Group's operation resides. Other key inputs and assumptions in the model were also assessed by comparing these to objective market indices, where possible. The outcome of model sensitivities were also assessed.

- The adequacy of the disclosures in the consolidated financial statements were also assessed.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to valuation of production and development assets, note 2.5 which contains the disclosure of significant accounting estimates relating to production and development assets and note 11 for the oil and gas interests of the Group.

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

Key audit matters (continued)

f) Valuation of aircraft held for lease

The Group's component, Dubai Aerospace Enterprises (DAE) Limited, is engaged in providing aircraft on leases. DAE has undertaken an impairment review, by comparing the carrying value of aircraft to their estimated recoverable value, which is the higher of fair value less costs to sell or value in use.

In order to assess recoverable value, the management of DAE obtained external aircraft valuations from external aviation consultancies and considered the average of these valuations. The key assumptions and judgments adopted are:

- The discount rate applied to forecast cash flows;
- Estimates relating to the period between lease rentals and the value of future, non-contracted lease rentals which are assessed against rates published by external aviation consultancies; and
- Assumed resale value at the end of the aircraft's life.

We consider this as a key audit matter because of the level of DAE management's judgment required and the sensitivity of the impairment assessment to key assumptions.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The impairment assessment prepared by DAE's management was obtained, together with the supporting documentation and underlying assumptions.

- The market values used by DAE's management were directly confirmed with external aviation consultancies on a sample basis. The independent external valuer's competence, capabilities and objectivity were evaluated.

- The mathematical accuracy of the value in use calculations, prepared by DAE's management, were tested.

- The contractual lease rentals assumed within DAE management's model were compared to lease contracts currently in place.

- The reasonableness of estimates relating to the period between lease rentals and anticipated values of future non-contracted rentals, were corroborated with senior operational personnel of DAE.

- The end of aircraft life valuation was confirmed by reference to reports issued by external aviation consultancies.

Key audit matters (continued)

f) Valuation of aircraft held for lease (continued)

How key audit matter has been addressed (continued)

- Internal valuation specialists were involved to validate that the discount rate adopted was appropriate.

- The potential impact of reasonably possible downside changes in these key assumptions were considered and sensitivity analysis was performed to assess the financial impact of changes in key assumptions.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to property, plant and equipment (which includes aircraft held for lease), note 2.5 which contains the disclosure of significant accounting estimates relating to impairment of property, plant and equipment (which includes aircraft held for lease) and note 11 which contains the details of property, plant and equipment (which includes aircraft held for lease).

g) Accounting for frequent flyer programme

Emirates operates a frequent flyer programme ('Skywards') in order to encourage and incentivise loyalty from its customers. Skywards members earn Skywards miles either after a flight has been paid for and flown or from Skywards partners that purchase miles from Emirates to issue to their customers. Skywards miles can be redeemed for reductions in airfares as well as being used towards free flights, cabin class upgrades and other non-airline rewards.

The fair value of unused miles issued to Skywards members is recognised on the consolidated statement of financial position as deferred revenue.

The fair value per mile is calculated using a model incorporating a number of factors including historical sector average fares, fares for upgrades, ticket and upgrade availability and redemption patterns. An estimate is also made of the number of miles that will expire based on historical expiry patterns and anticipated future changes to the programme.

We consider this as a key audit matter because of the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

Key audit matters (continued)

g) Accounting for frequent flyer programme (continued)

How key audit matter has been addressed
The Emirates' management's model supporting the calculation of Skywards deferred revenue was tested as follows:

- The process and the related control by which deferred revenue is calculated was assessed.
- The automated controls and key interfaces around the systems used to initially record the Skywards miles for each member were tested to ensure that data from the systems is accurately recorded in the model.
- Calculations within the model were re-performed.
- The key assumptions within the model were tested including agreeing historical expiry trends supporting the expiry percentage to underlying reports, discussing anticipated future changes to the Skywards programme that may impact expiry trends with appropriate senior management of Emirates, testing ticket and upgrade availability to internal supporting evidence and agreeing a sample of fares to published market fares.
- A sensitivity analysis was performed on the key assumptions and variables used in the model.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to frequent flyer programme and note 2.5 which contains the disclosure of significant accounting estimates relating to frequent flyer programme.

h) Accounting for aircraft return and maintenance provisions
Emirates operates aircraft under operating lease arrangements.

Under the terms of the operating lease arrangements with the lessors, Emirates is contractually committed either to return the aircraft and engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and engines at the date of return. Accordingly, a provision for maintenance associated with aircraft return conditions is recorded during the lease term.

The provision is calculated using a model, which incorporates a number of assumptions, requiring significant judgment.

Key audit matters (continued)

h) Accounting for aircraft return and maintenance provisions (continued)

We consider this as a key audit matter due to the significant level of judgement exercised by the management of Emirates in determining the underlying assumptions within the model.

How key audit matter has been addressed

The risks outlined above were addressed as follows:

- The aircraft return and maintenance provision model prepared by the management of Emirates was obtained, together with a summary of the underlying assumptions.
- A sample of the relevant operating lease contracts were obtained and tested to check the Emirates' management's extraction of the inputs to the model.
- The completeness of the provision was tested by checking that all relevant operating leases were included in the model.
- The mathematical accuracy of the calculation was tested.
- The following key assumptions were discussed and corroborated with the senior engineering personnel of Emirates:
  - the past and expected future utilisation and maintenance patterns of the aircraft;
  - the expected cost of each maintenance event at the time it is expected to occur; and
  - the discount rate applied to the future liability.
- The historical utilisation was compared to flying records and future utilisation assumptions were considered in light of past experience. Assumed maintenance costs were assessed against historical actual costs incurred and existing long-term maintenance agreements. Future maintenance patterns were assessed against internal maintenance plans. The discount rate applied by management of Emirates to the future liability was checked to ensure that it is within an acceptable range with reference to the time value of money applicable to Emirates and the risks specific to the liability.
- Along with performing sensitivity analysis on reasonably possible changes in assumptions, provisions held for aircraft and engines returned during the year were also compared to the compensation paid out to the lessors or actual costs incurred to establish if past provisions were reasonable.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to provision for maintenance and note 2.5 which contains the disclosure of significant accounting estimates relating to provision for maintenance.

Key audit matters (continued)

i) Lease classification and the related lease accounting

Emirates operates aircraft under both finance and operating lease arrangements and during the year ended 31 December 2016 entered into sale and leaseback transactions on new aircraft deliveries.

In determining the appropriate lease classification, *IAS 17 - 'Leases'* is applied by Emirates and the substance of the transaction rather than just the legal form is considered. Profits or losses on sale and leaseback transactions are either recognised immediately or deferred in accordance with the finance and operating leases accounting policy set out in note 2.6 to the consolidated financial statements.

We consider this as a key audit matter because of the accounting implications for leases including the presentation within the consolidated financial statements, are substantially different depending on the classification determined, and because of the inherent level of Emirates management's judgement within the assessment together with the materiality of the related balances.

How key audit matter has been addressed
The risks outlined above were addressed as follows:

- The Emirates' management's assessment of lease classification under IFRS were evaluated to determine whether a lease is considered to be finance or operating in nature.

- The lease agreements for aircraft deliveries during the year were examined to identify:
  - whether the lease transfers ownership of the aircraft to Emirates by the end of the lease term;
  - whether Emirates has the option to purchase the aircraft at a price that is sufficiently lower than the fair value on exercise date; and
  - whether the lease term is for the major part of the economic life of the aircraft.

- Independent calculations were undertaken to assess:
  - whether the rate of return implicit in the lease is calculated reasonably; and
  - whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset.

- In the case of sale and lease back transactions on new aircraft resulting in an operating lease, the fair values of aircraft were compared to the purchase price and the profit or loss recalculated on these transactions. It was considered whether the management of Emirates has appropriately accounted for the profit or loss arising on these transactions.

- The related disclosures in the consolidated financial statements were tested to check consistency with the disclosure requirements of IFRS.

Key audit matters (continued)

i) Lease classification and the related lease accounting (continued)

How key audit matter has been addressed (continued)
Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to leases and note 2.5 which contains the disclosure of significant accounting judgment relating to classification of operating/finance leases.

j) Impairment of goodwill and other intangible assets
In accordance with IAS 36 *Impairment of Assets*, goodwill and intangible assets with indefinite useful life are required to be tested annually for impairment. For other intangible assets, at the end of each reporting period, the Group is required to assess whether there is any indication that an asset may be impaired or if there is a change in the estimated useful life.

The Group carries out impairment assessment of goodwill and intangible assets by estimating the asset's or cash generating unit ("CGU")'s value in use or fair value less cost of disposal and comparing it against the carrying values.

We consider impairment of goodwill and intangible assets to be a key audit matter because of their significance and judgment involved in testing such items for impairment.

How key audit matter has been addressed
The risks outlined above were addressed as follows:

- The basis for the determination of CGUs by management was examined.

- The value in use calculations were checked by assessing the reasonableness of cash flow projections and comparing key inputs, such as discount rates and growth rates, to externally available industry, economic and financial data and the Group's own historical data and performance. Valuation specialists were used to test the key assumptions used in valuation.

- The fair value less cost to sell calculation was checked by comparing the carrying value of CGU to the fair value based on its quoted market price at the reporting date.

- Discussed with management for any event which may trigger an impairment of other intangible assets or change in their useful life.

Refer to the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to impairment of intangible assets, note 2.5 which contains the disclosure of significant accounting estimates relating to the impairment of intangible assets and note 12 which includes details of the impairment assessment exercise carried out by the management for the goodwill and other intangible assets.

Key audit matters (continued)

k) Impairment of investment properties

Investment properties of the Group are carried at cost less accumulated depreciation and impairment losses, if any. The fair values of investment properties as at the year-end have been determined internally by management and/or through third party valuations.

The valuation of investment properties involves significant estimation and assumptions. Any variation in the estimation or assumptions used for the valuation could have a material impact on the consolidated financial statements of the Group. Due to the existence of significant estimation, this has been considered as a key audit matter.

How key audit matter has been addressed

The assumptions used by the management and third party valuers were assessed for appropriateness. This involved using valuation specialists to review the valuation report for selected properties and assess whether the valuation approach and methods used are in accordance with established standards for valuation of the properties and suitable for use in determining fair value for the purpose of impairment loss and disclosure of fair value in the consolidated financial statements.

Refer the significant accounting policies note 2.6 to the consolidated financial statements for the significant accounting policy relating to investment properties, note 2.5 which contains the disclosure of significant accounting estimates relating to the impairment losses on investment properties and note 13.1 which includes details of the impairment assessment exercise carried out by the management for the investment properties.

Other information included in the Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of the management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

for Ernst & Young

Anthony O'Sullivan
Partner
Registration No. 687

25 May 2017

Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	Notes	2016 AED'000	2015 AED'000
Continuing operations			
Revenues	40	**176,313,704**	177,146,635
Cost of revenues		**(137,100,567)**	(135,133,533)
		39,213,137	42,013,102
Other income	3	**7,173,471**	5,856,575
Net (loss) / gain from derivative instruments		**(816,549)**	509,497
General, administrative and other expenses		**(21,455,774)**	(20,439,440)
Net impairment losses on financial assets and equity accounted investees	4	**(3,613,717)**	(3,858,175)
Other finance income	5	**1,342,695**	1,038,495
Other finance costs	6	**(3,374,466)**	(3,546,251)
Share of results of associates and joint ventures - net	15	**3,973,650**	4,004,926
PROFIT FOR THE YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS	40	**22,442,447**	25,578,729
Income tax expense - net	7	**(589,437)**	(461,584)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**21,853,010**	25,117,145
Discontinued operations			
Profit after tax for the year from discontinued operations	23	**223,911**	2,334,653
PROFIT FOR THE YEAR	8	**22,076,921**	27,451,798
Attributable to:			
The equity holder of ICD		**17,992,324**	22,896,098
Non-controlling interests		**4,084,597**	4,555,700
		22,076,921	27,451,798

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2016

	Notes	***2016 AED'000***	*2015 AED'000*
PROFIT FOR THE YEAR		**22,076,921**	27,451,798
Other comprehensive loss			
Other comprehensive income / (loss) that are / to be reclassified to consolidated income statement in subsequent periods:			
Net movement in fair value of available-for-sale investments		**(173,195)**	(1,375,137)
Net movement in fair value of cash flow hedges		**1,062,094**	(687,531)
Foreign currency translation differences (net)		**(1,216,567)**	(307,471)
Group's share in other comprehensive loss of equity accounted investees	15	**(358,861)**	(422,671)
Net other comprehensive loss that are / to be reclassified to consolidated income statement in subsequent periods		**(686,529)**	(2,792,810)
Other comprehensive income / (loss) not to be reclassified to consolidated income statement in subsequent periods:			
Actuarial gain on defined benefit plans	27	**264,058**	31,078
Group's share in actuarial loss on defined benefit plans of equity accounted investees	15	**(45,585)**	(49,754)
Net other comprehensive income / (loss) not to be reclassified to consolidated income statement in subsequent periods		**218,473**	(18,676)
Other comprehensive loss for the year		**(468,056)**	(2,811,486)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,608,865**	24,640,312
Attributable to:			
The equity holder of ICD		**18,115,822**	20,374,704
Non-controlling interests		**3,493,043**	4,265,608
		21,608,865	24,640,312

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	***2016*** ***AED'000***	*2015* *AED'000*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**137,598,186**	134,112,103
Intangible assets	12	**25,726,371**	25,122,198
Investment properties	13	**15,296,663**	8,590,214
Development properties	14	**672,768**	326,194
Investments in associates and joint ventures	15	**42,682,863**	39,567,547
Investments in marketable securities	16	**19,139,992**	20,652,573
Other non-current assets	17	**22,304,304**	23,203,530
Islamic financing and investment products	20	**36,194,834**	31,531,485
Loans and receivables	21	**82,002,352**	78,315,082
Cash and deposits with banks	22	**2,128,850**	3,176,279
Positive fair value of derivatives	29	**1,705,296**	2,410,954
Deferred tax assets	7	**160,121**	125,487
		385,612,600	367,133,646
Current assets			
Investments in marketable securities	16	**4,997,873**	6,196,263
Inventories	18	**9,718,011**	8,368,332
Trade and other receivables	19	**32,822,145**	29,039,325
Islamic financing and investment products	20	**24,963,052**	26,990,973
Loans and receivables	21	**156,399,806**	144,597,951
Cash and deposits with banks	22	**144,506,991**	131,970,401
Positive fair value of derivatives	29	**1,814,312**	1,123,452
Customer acceptances		**6,941,585**	3,712,749
		382,163,775	351,999,446
Assets of disposal group classified as held for sale	23	**2,114,279**	955,791
		384,278,054	352,955,237
TOTAL ASSETS		**769,890,654**	720,088,883

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2016

	Notes	2016 AED'000	2015 AED'000
EQUITY AND LIABILITIES			
Equity attributable to the equity holder of ICD			
Capital	24	**65,329,584**	65,105,154
Retained earnings		**95,267,939**	82,717,005
Other reserves	26	**13,064,671**	14,208,495
		173,662,194	162,030,654
Non-controlling interests	35 and 39	**35,717,848**	34,239,501
Total equity		**209,380,042**	196,270,155
Non-current liabilities			
Employees' end of service benefits	27	**3,154,631**	3,227,677
Borrowings and lease liabilities	28	**133,975,326**	111,444,697
Negative fair value of derivatives	29	**1,921,510**	2,570,526
Other non-current payables	30	**9,337,672**	8,323,213
Customer deposits	32	**7,122,580**	3,563,547
Islamic customer deposits	33	**17,704,848**	16,323,653
Deferred tax liabilities	7	**734,712**	675,541
Repurchase agreements with banks	34	**44,024**	248,334
		173,995,303	146,377,188
Current liabilities			
Employees' end of service benefits	27	**19,535**	5,117
Borrowings and lease liabilities	28	**55,230,921**	63,359,174
Negative fair value of derivatives	29	**1,637,725**	1,452,018
Trade and other payables	31	**51,581,585**	70,424,782
Customer deposits	32	**236,020,229**	197,854,103
Islamic customer deposits	33	**34,029,961**	39,955,798
Repurchase agreements with banks	34	**1,882**	-
Current income tax liabilities		**427,404**	356,047
Customer acceptances		**6,941,585**	3,712,749
		385,890,827	377,119,788
Liabilities of disposal group classified as held for sale	23	**624,482**	321,752
		386,515,309	377,441,540
Total liabilities		**560,510,612**	523,818,728
TOTAL EQUITY AND LIABILITIES		**769,890,654**	720,088,883

Director

Director

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2016

	Notes	*2016 AED'000*	*2015 AED'000*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**22,442,447**	25,632,491
Profit before tax from discontinued operations		**233,257**	2,283,577
		22,675,704	27,916,068
Adjustments for:			
Depreciation and impairment on property, plant and equipment and investment properties (net of reversals)	8	**12,580,078**	12,240,059
Reversal of impairment loss on non-financial assets	3	**(9,087)**	(6,007)
Impairment allowance on loans and receivables - net	4	**1,481,521**	2,198,658
Impairment allowance on Islamic financing and investment products - net	4	**1,248,558**	937,879
Amortisation and impairment of intangible assets and advance lease rental	8	**1,291,664**	1,051,862
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	3	**(1,293,835)**	(524,680)
Net loss in fair value of investments carried at fair value through profit or loss	3	**2,857**	26,010
Impairment loss on available-for-sale investments	4	**847,923**	180,061
Loss on disposal of investment in an associate		**3,838**	-
Other finance income		**(1,342,695)**	(1,038,495)
Other finance costs		**3,374,466**	3,603,169
Share of results of associates and joint ventures - net	15	**(3,973,650)**	(4,004,926)
Provision for employees' end of service benefits	27	**1,215,404**	1,103,564
Gain on disposal of subsidiaries	23	**-**	(2,072,717)
Net gain on sale of marketable securities	3	**(548,294)**	(245,180)
Gain on bargain purchase upon acquisition of subsidiaries	3	**(78,983)**	(737,186)
Gain arising on a gifted land	3	**(231,306)**	-
Reversal of abandonment and decommissioning funds	3	**(1,060,400)**	-
Loss on disposal of a discontinued operation	23	**48,342**	-
Reversal of provision on a discontinued operation	23	**(199,648)**	-
Unrealised loss / (gain) on commodity oil derivatives		**398,778**	(323,573)
		36,431,235	40,304,566
Working capital changes:			
Inventories		**(1,255,522)**	244,317
Trade and other receivables		**(9,134,518)**	4,940,733
Trade and other payables		**(18,198,968)**	(2,002,310)
Loans and receivables		**(16,970,646)**	(17,219,780)
Statutory deposits (banking operations)		**915,929**	(5,750,157)
Deposits with banks with original maturity over three months (banking operations)		**(8,641,455)**	(4,002,201)
Customer deposits including Islamic customer deposits		**37,180,517**	25,682,448
Fair value of derivatives - net		**(847,289)**	926,327
Islamic financing and investment products with original maturity over three months		**(2,581,772)**	(22,975,306)
Other non-current assets		**540,849**	(359,152)
Other non-current payables		**1,145,390**	1,369,285
Net cash generated from operations		**18,583,750**	21,158,770
Employees' end of service benefits paid	27	**(1,026,775)**	(822,757)
Income tax paid		**(569,968)**	(931,122)
Exchange translation reserve and other movements		**463,680**	563,228
Net cash generated from operating activities		**17,450,687**	19,968,119

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)
Year ended 31 December 2016

	Notes	***2016 AED'000***	*2015 AED'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(18,124,193)**	(17,565,071)
Acquisition of non-controlling interest in an indirect subsidiary		**-**	(10,743,748)
Acquisition of additional non-controlling interest in a direct subsidiary		**(90,905)**	(91,875)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback of aircraft		**8,913,476**	6,223,888
Transfer / acquisition of subsidiaries – net of cash acquired		**(1,763,109)**	(703,156)
Other finance income received		**1,342,695**	1,038,495
Acquisition of discontinued operations		**-**	(3,675)
Proceeds from disposal of discontinued operations		**327,918**	5,007,794
Proceeds from sale of available-for-sale investments		**-**	7,404,879
Proceeds from disposal of investments in associates		**36,387**	-
Net of other movement in investment in marketable securities		**2,668,508**	(3,744,725)
Investment in associates and joint ventures		**(1,350,762)**	(1,078,766)
Dividend from associates and joint ventures	15	**1,609,623**	1,768,854
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**19,445,159**	10,630,540
Net cash generated from (used in) investing activities		**13,014,797**	(1,856,566)
FINANCING ACTIVITIES			
Distributions paid to the Government	25	**(6,670,398)**	(6,830,793)
Interest on Tier 1 Capital Notes issued by a banking subsidiary		**(590,530)**	(590,731)
Net movement in borrowings and lease liabilities		**6,380,826**	2,141,810
Net movement in repurchase agreements with banks		**(202,428)**	212,965
Other finance costs paid		**(3,374,466)**	(3,603,169)
Directors' fees paid		**(40,482)**	(35,312)
Dividend paid to the non-controlling interests		**(1,438,538)**	(1,283,356)
Net cash used in financing activities		**(5,936,016)**	(9,988,586)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,529,468**	8,122,967
Cash and cash equivalents at the beginning of the year		**33,868,945**	25,745,978
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**58,398,413**	33,868,945

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2016

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Total AED'000*	*Non-controlling interests AED'000 (see note 35 and 39)*	*Total equity AED'000*
Balance at 1 January 2016	65,105,154	82,717,005	14,208,495	162,030,654	34,239,501	196,270,155
Profit for the year	-	17,992,324	-	17,992,324	4,084,597	22,076,921
Other comprehensive income/(loss) for the year	-	218,532	(95,034)	123,498	(591,554)	(468,056)
Total comprehensive income for the year	**-**	**18,210,856**	**(95,034)**	**18,115,822**	**3,493,043**	**21,608,865**
Contribution from the Government of Dubai ("the Government") (see note 24)	224,430	-	-	224,430	-	224,430
Distributions paid to the Government (see note 25)	-	(6,670,398)	-	(6,670,398)	-	(6,670,398)
Directors' fees in subsidiaries, associates and joint ventures	-	(31,346)	-	(31,346)	(9,136)	(40,482)
Dividend paid to the non-controlling interests	-	-	-	-	(1,438,538)	(1,438,538)
Interest on Tier 1 capital notes	-	-	-	-	(590,530)	(590,530)
Transfers (see note 26)	-	(153,300)	222,856	69,556	(69,556)	-
Transfer on reduction of share capital of an indirect subsidiary	-	1,256,420	(1,256,420)	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	183,678	183,678
Change in Group's ownership in existing subsidiaries	-	(37,666)	33,086	(4,580)	(86,325)	(90,905)
Increase in non-controlling interests	-	-	-	-	5,686	5,686
Arising on disposal of a discontinued operation (see note 23(d))	-	-	-	-	(12,087)	(12,087)
Other movements	-	(23,632)	(48,312)	(71,944)	2,112	(69,832)
Balance at 31 December 2016	**65,329,584**	**95,267,939**	**13,064,671**	**173,662,194**	**35,717,848**	**209,380,042**

The attached notes 1 to 42 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2016

	Attributable to the equity holder of ICD					
	Capital AED'000 (see note 24)	*Retained earnings AED'000*	*Other reserves AED'000 (see note 26)*	*Total AED'000*	*Non-controlling interests AED'000 (see note 35 and 39)*	*Total equity AED'000*
Balance at 1 January 2015	64,582,949	71,266,173	16,132,992	151,982,114	38,043,933	190,026,047
Profit for the year	-	22,896,098	-	22,896,098	4,555,700	27,451,798
Other comprehensive income/(loss) for the year	-	179,701	(2,701,095)	(2,521,394)	(290,092)	(2,811,486)
Total comprehensive income for the year	-	23,075,799	(2,701,095)	20,374,704	4,265,608	24,640,312
Contribution from the Government (see note 9)	522,205	-	-	522,205	-	522,205
Distributions paid to the Government (see note 25)	-	(6,858,424)	-	(6,858,424)	-	(6,858,424)
Directors' fees in subsidiaries, associates and joint ventures	-	(26,152)	-	(26,152)	(9,160)	(35,312)
Dividend paid to the non-controlling interests	-	-	-	-	(1,283,356)	(1,283,356)
Interest on Tier 1 capital notes	-	-	-	-	(590,731)	(590,731)
Transfers	-	(174,381)	169,332	(5,049)	5,049	-
Arising on acquisition of subsidiaries (see note 10)	-	-	-	-	689,952	689,952
Change in Group's ownership in an existing subsidiary (see note 10(h))	-	340,364	(1,709)	338,655	(430,530)	(91,875)
Increase in non-controlling interests	-	-	-	-	32,663	32,663
Upon acquisition of non-controlling interest in an indirect subsidiary (see note 35.2)	-	(4,747,574)	438,916	(4,308,658)	(6,435,090)	(10,743,748)
Arising on dilution of investment in an indirect associate	-	(20,067)	165,865	145,798	-	145,798
Upon disposal of an indirect subsidiary	-	(158)	4,230	4,072	(99,203)	(95,131)
Other movements	-	(138,575)	(36)	(138,611)	50,366	(88,245)
Balance at 31 December 2015	65,105,154	82,717,005	14,208,495	162,030,654	34,239,501	196,270,155

The attached notes 1 to 42 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 Emiri 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 subsequent 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.

The Group's consolidated financial statements have been approved by the Board of Directors on 25 May 2017.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance
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 ("IFRS") as issued by the International Accounting Standards Board (IASB).

b) Basis of measurement
These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments, financial assets classified as held for trading and at fair value through profit or loss, derivative financial instruments and recognised assets and liabilities that are hedged and measured at fair value in respect of the risk that is hedged.

c) Functional and presentation currency
The consolidated financial statements are prepared in United Arab Emirates ("UAE") Dirhams ("AED"), which is the functional and presentation currency of ICD, as rounded off to the nearest thousand ("AED'000") except when otherwise indicated.

d) Comparative information
Certain comparative figures have been reclassified, either to conform with the current year's classification, for better presentation of the consolidated financial statements, or in accordance with the relevant requirement of IFRS.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. The list of Group'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.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2 ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

Profit or loss and each component of other comprehensive income ("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 in 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 of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous years. Following new and revised IFRS which are effective for annual periods beginning on or after 1 January 2016 are applied by the Group. The application of these new and revised IFRS did not have any impact / material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions and arrangements.

- IFRS 14: Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for acquisition of interests in joint operations
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
- Annual Improvements 2012-2014 Cycle: covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2 ACCOUNTING POLICIES (continued)

2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards, amendments and interpretations that are issued, but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group is currently assessing the impact of new standards, amendments and interpretations and intends to adopt these, if applicable, when they become effective.

Standard	Description	Effective date
Amendment to IAS 7, Statement of cash flows	The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017
IFRS 16, 'Leases'	The IASB issued the new standard for accounting for leases in January 2016. (a) The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. (b) Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. (c) Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.	1 January 2019
IFRS 15, 'Revenue from contracts with customers'.	This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018

2 ACCOUNTING POLICIES (continued)

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

Standard	Description	Effective date
IFRS 9, 'Financial instruments'	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. a) Classification and measurement IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: a) amortised cost; b) fair value through OCI; and c) fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. b) Impairment The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. c) Hedging IFRS 9 provides a more principle based approach that aligns hedge accounting closely with risk management policies.	1 January 2018
IFRS 2, "Share based payment"	IAASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas: (a) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; (b) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and (c) The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.	1 January 2018
IAS 40, "Investment property"	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.	1 January 2018

2 ACCOUNTING POLICIES (continued)

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

Standard	Description	Effective date
IAS 12, "Income taxes"	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendment provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.	1 January 2017
IFRIC Interpretation 22, "Foreign currency transactions and advance consideration"	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018
Annual improvements 2014-2016 cycle	*IFRS 12, "Disclosure of interest in other entities"* Clarification of the scope of the disclosure requirements in IFRS 12.	1 January 2017
	IAS 28, "Investment in associates and joint ventures" Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.	1 January 2018

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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 on the 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 financial statements / management accounts 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.

Passenger and cargo revenue recognition
The Group’s subsidiaries operating in the aviation sector recognise passenger and cargo sales as revenue when transportation is provided. The value of unused revenue documents are held in the consolidated statement of financial position under current liabilities as deferred revenue. These unused revenue documents are subsequently recognised in the consolidated income statement as revenue based on their terms and conditions and historical trends.

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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Frequent flyer programme / customer loyalty programme
Certain 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. 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. No reasonably possible change in any single assumption will result in a material change to the deferred revenue.

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, significant assumptions in respect of the depletion charge have been made. These significant assumptions include estimates of oil and gas reserves, future oil and gas prices, finalisation of a gas sales agreement and estimates of future development costs including the cost of drilling, infrastructure facilities and other capital and operating costs.

If the gas sales were delayed to 2021, the depletion charge would increase by AED 12.9 million (USD 3.5 million) for 2016. Should there be a significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2021, 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 617.0 million (USD 167.9 million) over the remaining life of the PSA.

The Group's estimated long-term view of oil prices is a 5 year Brent forward curve and AED 257.2 (USD 70) per barrel in real terms thereafter.

Effective 1 January 2015, the Group's estimated long-term view of netback prices for gas is AED 1.8 (USD 0.5) per Mscf for 5 years and stated in real terms thereafter, based on the current outlook.

If the estimate of the long-term oil price had been AED 73.5 (USD 20) per barrel higher and the netback price of gas had been AED 7.35 (USD 2) per Mscf higher from 1 January 2016, the reserves attributable to the Group would decrease, with a corresponding increase in the depletion charge of AED 258.3 million (USD 70.3 million) for the year.

If the estimate of the long-term oil price had been AED 73.5 (USD 20) per barrel lower and the netback price of gas had been AED 0.92 (USD 0.25) per Mscf lower from 1 January 2016, the reserves attributable to the Group would increase, with a corresponding decrease in the depletion charge of AED 296.94 million (USD 80.8 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 a gas sales agreement will be signed and 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.

Impairment losses on property, plant and equipment, investment properties and development properties ("Properties")
The Group reviews its Properties 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 Properties. 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 Properties.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Depreciation of property, plant and equipment and investment properties
Management determines the useful lives and residual values of property, plant and equipment and investment properties 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.

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'').

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 securities and the future cash flows and the discount factors for unquoted securities.

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.

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.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 made adjustments where 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. The management considers costs incurred to costs to complete as the most appropriate measure of percentage of completion in arriving at the revenue to be recognised for the year.

Classification of operating lease – Group as a 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.

Classification of finance lease
A lease is classified as a finance lease when substantially all the risks and rewards of ownership are transferred to the Group. In determining the appropriate classification, the substance of the transaction rather than the form is considered. Factors considered include but are not limited to the following:

- whether the lease transfers ownership of the asset to the lessee by the end of the lease term;
- whether the lessee has the option to purchase the asset at the price that is sufficiently lower than the fair value on exercise date;
- whether the lease term is for the major part of the economic life of the asset; and
- whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Where the Group enters into the sale and leaseback transactions for aircraft, the timing and amount of profit recognised on these transactions is subject to the fair value of the aircraft at the time of sale. Judgement is required to estimate the fair value due to diversity of inputs that goes into the determination of aircraft value which includes references to third party valuations.

2 ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Provision for maintenance
The measurement of the provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by the Group's subsidiaries operating in aviation sector. A significant level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. No reasonably possible change in any single assumption will result in a material change to the provision.

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 litigation arising in the ordinary course of business. Provision for contingent liabilities arising from litigation 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 as "gain on bargain purchase".

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 CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities under common control, business combinations and goodwill (continued)
Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

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

The measurement period ends as soon as the Group receives the necessary information about facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

For transactions involving entities under common control where the 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 in the books of the transferor (as adjusted for the Group accounting policies), are used to account for these transactions. No goodwill is recognised as a result of the transfer. The only goodwill recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid and the net assets ‘acquired’ is reflected as “merger reserve” within equity.

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

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

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

Under the equity method, investment in a joint venture is initially recognised at cost. The carrying amount of an investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to a joint venture is included in the carrying amount of the investment 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. When the Group’s share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in joint ventures (continued)
Adjustments to the numbers of the joint ventures are made where necessary to ensure consistency with the policies adopted by the Group.

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 consolidated income statement. When the remaining investment in joint venture constitutes significant influence, it is accounted for as an investment in associate. If the ownership in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

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 initially recognised at cost. The carrying amount of an investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. 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. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

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.

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. If the ownership in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

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, the Group is exposed to variable return, from its involvement in the SPE and has the ability to affect those returns through its controlling power in the SPE based on an evaluation of the substance of its relationship with the Group.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special purpose entities (continued)
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 assets and deferred tax liabilities are classified as non-current assets and liabilities, respectively.

2 ACCOUNTING POLICIES (continued)

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 AED 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	*14 - 60 years*
Buildings (including leasehold premises) and leasehold improvements	*3 - 50 years*
Furniture, fixture, and office equipment	*up to 20 years*
Plant, machinery, equipment and vehicles	*up to 40 years*
Marine vessels (included under oil and gas interests)	*25 years*
Aircraft - used	*5 years (residual value Nil)*
Aircraft - new	*15 – 23 years (residual value 10%)*
Aircraft held for lease (given on operating leases to various operators)	*Not to exceed 25 years from the date of manufacture (residual value 15%)*

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.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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 the commercial reserves discovered 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 the 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, drilling, infrastructure projects and a proportion of directly attributable administrative and overhead costs.

Inventory of drilling spares is classified under property, plant and equipment and is not depleted until it is put to use as development and production assets.

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.

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.

Manufacturers' credits
Group's subsidiaries engaged in the aviation business receive 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 taken on 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, any outstanding balance as at the reporting date is accounted as a liability (deferred credits) in the consolidated statement of financial position. Where the aircraft are given on operating lease, these credits are transferred to the lessees.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease
Aircraft held for lease are stated at cost less accumulated depreciation and impairment losses, if any.

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, when incurred, as aircraft transition costs.

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

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Abandonment and decommissioning costs
The PSA provides for a fixed 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 wells, platforms and other facilities and is not therefore available for other purposes. Previously, under an arrangement, the abandonment and decommissioning funds were held in designated accounts controlled by the Group and were classified, together with the related liability, as current in the consolidated statement of financial position. Following, an amendment to the PSA, the abandonment and decommissioning funds were distributed to the Group and the agency of the relevant Government in an agreed ratio and the liability was extinguished.

In accordance with the terms of the PSA, abandonment and decommissioning obligations are limited to the accumulated abandonment and decommissioning funds set aside in an escrow account. Also refer Note 3.

Crude oil overlifts and underlifts
Crude oil overlifts and underlifts arise on differences in quantities between the Group's entitlement production and the production either sold 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 cost of sales, such that gross profit is recognised on entitlement basis.

Government grant
Government grant is recognised where there is reasonable assurance that the grant will be received and all attached conditions, if any, 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 grant of non-monetary asset, the asset and the grant are recorded at a nominal amount.

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 and/or for capital appreciation, and/or held with undetermined future use, which are not occupied by the Group companies (properties occupied by the Group are classified under "property, plant and equipment") 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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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 the 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.

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 of 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 also 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, property plant and equipment, or inventory property 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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (excluding goodwill) (continued)
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.

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 and trade names	*up to 20 years*
Computer software	*1 - 10 years*
Contractual rights	*Over the term of rights*
Licenses, exclusive rights and right to use	*up to 50 years*

The intangible assets include 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.

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 completed. 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 (depreciation) 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 tangible assets is recorded as part of the cost of E&E assets.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)
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.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)

ii) Loans and receivables (continued)

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).

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 of, 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 along with 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 CGU’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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
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 CGU to which goodwill relates. Where the recoverable amount of a CGU is less than the carrying amount of that CGU 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.

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 CGU, 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;

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Individually assessed loans and advances (continued)

- 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.

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, if any.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

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 and shown as contract receivables. 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 consumer goods	*first-in-first-out*
Other consumable goods	*weighted average*
Contracting inventory	*first-in-first-out*

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.

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, due from 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
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is considered to be the senior management of the ICD, who make strategic decisions and is responsible for overall allocation of resources and assessment of performance of the operating segments.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Frequent flyer / customer loyalty programme
The Group’s airline subsidiaries maintain frequent flyer programmes that provide a variety of awards to programme members based on a mileage credit for flights. 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 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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Frequent flyer / customer loyalty programme (continued)
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.

Provision for maintenance represents the estimate of the cost to meet the contractual return conditions on certain aircraft and engines held under operating leases.

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' latest basic salary.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)
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.

This subsidiary's aircraft given on lease 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.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation plans (continued)
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. Property, plant and equipment acquired under the finance leases (mainly aircraft) are depreciated in accordance with the Group's policy.

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 (excluding aircraft held for lease)
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in the consolidated income statement on a straight-line basis over the lease term.

Sale and leaseback transactions
Gains and losses arising on sale and leaseback transactions resulting in an operating lease and where the sale price is at fair value, are recognised immediately in the consolidated income statement. Where the sale price is below fair value, any losses are immediately recognised in the consolidated income statement, except where the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the excess over fair value is classified as a deferred credit and amortised over the period for which the asset is expected to be used.

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 made at the inception of the lease. 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 and prospectively over the remaining term of the lease.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 income tax
Current income tax assets and liabilities 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 in the countries where Group operates and generates taxable income.

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.

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)
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.

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 recognised as OCI are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Cash flow hedge (continued)
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 excludes the sale of oil attributable to abandonment and decommissioning barrels under the terms of the PSA 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.

Revenue from the provision of data management services is recognised rateably over the term of the service period.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of software and licensed products (continued)
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". These unused flight documents are subsequently recognised as revenue based on their terms and conditions and historical trends.

Revenue from the sale of consumer goods, food and beverages and catering operations is recognised when risks and rewards of ownership are transferred to the customer and is stated net of discounts and returns.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from travel services
Revenue from travel services includes inclusive tours and agency commission earned from the sale of third-party travel products. Revenue relating to inclusive tours is recognised on departure. Revenue relating to third-party travel products is recognised on the completion of sale. Where the Group's subsidiary (engaged in such business) acts as principal, revenue is stated at contractual value of services provided and where this subsidiary acts as an agent between the service provider and the end customer, revenue is presented on net basis.

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 collectability 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 collectability 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 2016, no leases were on non-accrual status. Lease-end rentals are recognised in the period when these are contractually due and received.

Provision of maintenance services is recognised in proportion to stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work method.

Income from supplemental maintenance rent is recognised when the Group no longer expects to reimburse such rent to the lessees.

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 "revenues".

Commission income is accounted for on an accrual basis.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Fees and commission (continued)
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 and coupon income
Dividend revenue is recognised when the Group's right to receive the payment is established. Coupon income from investment in debt instruments is recorded on a time proportion basis.

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.

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 the costs incurred to total costs to complete. 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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

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; wherein 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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from Islamic financing and investment products (continued)

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

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.

2 ACCOUNTING POLICIES (continued)

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, that either has been disposed of, or is classified as held for sale or distribution, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

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.

3 OTHER INCOME

	2016 ***AED'000***	*2015* *AED'000*
Foreign exchange income – net	**1,075,894**	1,112,528
Gain on bargain purchase (see notes 10 and 23)	**78,983**	737,186
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	**1,293,835**	524,680
Liquidated damages	**430,937**	365,736
Vendors' support fee income	**297,975**	297,099
Net gain on sale of marketable securities	**548,294**	245,180
Reversal of impairment loss on non-financial assets (see notes 13 and 14)	**9,087**	6,007
Fair value gain on gifted land (see note 3.1)	**231,306**	-
Net change in fair value of investments carried at fair value through profit or loss (see note 16)	**(2,857)**	(26,010)
Others (see note 3.2)	**3,210,017**	2,594,169
	7,173,471	5,856,575

3.1 During 2016, one of the subsidiaries of the Group received freehold land from a third party, free of cost. Based on the valuation certificate issued by Dubai Land Department, the fair value of the gifted land at the date of receipt was AED 231,306 thousand, which has been recognised in the consolidated income statement.

3.2 This includes AED 1,060 million (2015: AED Nil) of the Group's share in Abandonment and Decommissioning funds pursuant to an amendment to the PSA.

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND EQUITY ACCOUNTED INVESTEES

	2016	*2015*
	AED'000	*AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 21)	**1,481,521**	2,198,658
Impairment loss on trade and other receivables - net of recoveries (see note 19)	**114,546**	224,352
Impairment loss on available-for-sale investments	**847,923**	180,061
Impairment loss on Islamic financing and investment products – net of recoveries (see note 20)	**1,248,558**	937,879
(Reversal of) / impairment loss on other non-current assets – net of recoveries (see note 17.3)	**(31,542)**	62,191
Other impairment (reversals) / losses - net	**(47,289)**	255,034
	3,613,717	3,858,175

5 OTHER FINANCE INCOME

	2016	*2015*
	AED'000	*AED'000*
Interest income and profit from bank deposits	**368,817**	274,698
Interest income and profit from associates and joint ventures (see note 37(a))	**376,471**	277,028
Interest income and profit from the Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 37(a))	**529,293**	446,165
Other interest income and profit	**68,114**	40,604
	1,342,695	1,038,495

6 OTHER FINANCE COSTS

	2016	*2015*
	AED'000	*AED'000*
Finance costs on borrowings	**1,708,802**	1,599,464
Finance charges on finance leases and hire purchase contracts	**1,012,182**	951,307
Interest / profit on loans from associates and joint ventures (see note 37(a))	**318,621**	271,010
Interest on loans from Government, MOF and other related parties (see note 37(a))	**155,466**	527,367
Others	**179,395**	197,103
	3,374,466	3,546,251

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2016 AED'000	*2015 AED'000*
Current income tax		
Current income tax charge	**644,476**	567,556
Deferred income tax		
Relating to origination and reversal of temporary differences (see below)	**(55,039)**	(105,972)
Income tax expense related to continuing operations	**589,437**	461,584
Income tax attributable to discontinued operations – net (see note 23 (a) and (b))	**9,346**	2,686
	598,783	464,270

Deferred income tax

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

	Consolidated statement of financial position 2016 AED'000	***Consolidated income statement 2016 AED'000***
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**645,970**	**(20,362)**
Tax effect of intangible assets and other timing differences	**88,742**	**(27,970)**
	734,712	**(48,332)**
Deferred tax assets		
Losses available for offset against future taxable income	**44,688**	**(3,713)**
Other timing differences	**115,433**	**(2,994)**
	160,121	**(6,707)**
Deferred income tax		**(55,039)**

	Consolidated statement of financial position 2015 AED'000	*Consolidated income statement 2015 AED'000*
Deferred tax liabilities		
Accelerated depreciation for tax purposes	717,616	(110,094)
Tax effect of intangible assets and other timing differences	(42,075)	(20,191)
	675,541	(130,285)
Deferred tax assets		
Losses available for offset against future taxable income	20,063	15,390
Other timing differences	105,424	8,923
	125,487	24,313
Deferred income tax		(105,972)

7 INCOME TAX EXPENSE (continued)

A significant part of the Group's operations are carried outside the 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 relationship between the tax expense and the accounting profit can be explained as follows:

	2016 ***AED'000***	*2015* *AED'000*
Net profit before tax from continuing operations	**22,442,447**	25,578,729
Of which profit arising from taxable jurisdictions are:	**2,902,273**	1,292,641
Tax calculated at domestic tax rates applicable to profits in respective tax jurisdictions	**653,346**	307,543
Effect of non-deductible expenses	**52,088**	234,101
Effect of income exempt from tax	**(228,869)**	(93,423)
Prior period adjustment / release of provision	**2,944**	(52,174)
Impact of tax rate change	**12,509**	(1,486)
Effect of other items - net	**97,419**	67,023
Income tax expense - net	**589,437**	461,584

8 PROFIT FOR THE YEAR

	2016 ***AED'000***	*2015* *AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**26,867,823**	24,516,574
Rental-operating leases (includes aircraft operating lease expense of AED 9,413,965 thousand (2015: AED 6,995,056 thousand))	**10,261,667**	7,755,886
Depreciation and impairment on property, plant and equipment and investment properties (see notes 11 and 13)	**12,580,078**	12,240,059
Amortisation and impairment of intangible assets and release of advance lease rentals (see notes 12 and 17.2)	**1,291,664**	1,051,862

Staff costs include, pension costs amounting to AED 103,233 thousand (2015: AED 87,966 thousand), other post employment benefits amounting to AED 1,020,444 thousand (2015: AED 862,036 thousand) and employee profit share scheme expense amounting to AED 78,849 thousand (2015: AED 74,330 thousand).

9 TRANSFER OF ENTITIES UNDER COMMON CONTROL

During 2015, as per decree, Law No. (24) of 2015 issued on 10 August 2015 by H.H. the Ruler of Dubai, 100% ownership of "Dubai Aviation Corporation" (trading as flydubai) ("Flydubai") was transferred to ICD. The transfer value of the investment amounted to AED 522,205 thousand based on the net asset value (as adjusted for ICD accounting policies) of the investee company at the date of transfer. This was accounted for as a capital contribution from the Government in line with the directives received by ICD (see note 24).

The Group recorded carrying value of assets and liabilities of Flydubai at the date of transfer as presented below:

	AED'000
Assets	
Property, plant and equipment (note 11)	**3,015,724**
Intangible assets (note 12)	**52,272**
Inventories	**19,616**
Trade and other receivables	**1,000,706**
Cash and deposits with banks	**755,117**
Total assets acquired	**4,843,435**
Liabilities	
Employees' end of service benefits (note 27)	**66,626**
Borrowings and lease liabilities	**2,986,131**
Negative fair value of derivatives	**191,458**
Trade and other payables	**997,169**
Other non-current payables	**79,846**
Total liabilities acquired	**4,321,230**
Net assets	**522,205**

10 BUSINESS COMBINATIONS

a) Acquisition of Adriatic Marinas d.o.o.

During the current year, the Group acquired 100% of the shares in Adriatic Marinas d.o.o. ("ADM"). ADM is the operator of Porto Montenegro, a deep water luxury yacht marina, residential buildings, a hotel and a marina village.

The Group recorded fair values of the assets and liabilities of Adriatic Marinas d.o.o at the date of acquisition which are summarised below:

	Fair values AED'000
Property, plant and equipment	203,054
Intangible assets	138,151
Investment properties (note 13)	537,307
Development properties (note 14)	140,591
Other non-current assets	8,408
Inventories	11,385
Trade and other receivables	54,247
Cash and deposits with banks	3,164
Deferred tax assets	6,740
Borrowings	(130,492)
Deferred tax liabilities	(37,470)
Other non-current payables	(198,586)
Trade and other payables	(42,457)
Fair value of the net assets acquired	**694,042**
Goodwill	**177,463**
Purchase consideration (see below)	**871,505**

10 BUSINESS COMBINATIONS (continued)

a) Acquisition of Adriatic Marinas d.o.o. (continued)

	AED'000
Consideration paid to acquire ownership	722,520
Consideration paid to acquire loan	148,985
Total purchase consideration	**871,505**
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	3,164
Consideration paid	(871,505)
Net cash outflow on acquisition	**(868,341)**

Costs of acquisition 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 entity contributed revenue of AED 98,501 thousand and the Group's share of loss from ADM was AED 30,271 thousand from the acquisition date to 31 December 2016. If the acquisition had taken place at the beginning of the year, ADM's contribution to the Group's revenue and Group's share of ADM's loss would have been AED 121,179 thousand and AED 54,662 thousand respectively.

b) Acquisition of Transecure LLC

As at 31 December 2015, one of the subsidiaries of the Group had 99% legal ownership and 50% economic interest in Transecure LLC ("Transecure"). During the current year, the Group obtained 100% control of Transecure by acquiring the remaining 50% economic interest. The step acquisition did not result in any significant fair value gain or loss.

The Group recorded the fair values of assets and liabilities of Transecure at the date of acquisition, which are summarised below:

	Fair values AED'000
Property, plant and equipment	171,533
Intangible assets	48,355
Other non-current assets	19,536
Cash and deposits with banks	2,951
Other non-current liabilities	(122,101)
Borrowings and lease liabilities	(52,008)
Trade and other payables	(6,621)
Fair value of the net assets acquired	**61,645**
Purchase consideration (see below)	**61,645**
Consideration paid for additional acquisition	55,000
Acquisition date fair value of previously held investment	6,645
Total purchase consideration	**61,645**

10 BUSINESS COMBINATIONS (continued)

b) Acquisition of Transecure LLC (continued)

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	2,951
Consideration paid	(55,000)
Net cash outflow on acquisition	**(52,049)**

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

The acquired entity contributed revenue of AED 15,280 thousand and a profit of AED 4,817 thousand from the acquisition date to 31 December 2016. If the acquisition had taken place at the beginning of the year, the contribution to the Group's revenue and profit would have been AED 20,373 thousand and AED 6,423 thousand respectively.

c) Acquisition of Airport Handling SpA

During the current year, one of the subsidiaries of the Group acquired a 30% shareholding of Airport Handling SpA ("AH"). AH provides a variety of passenger, ramp, baggage and cargo handling services to over 60 airlines in Malpensa International Airport and Linate Airport, Italy.

The subsidiary also entered into a call and put option arrangement to acquire an additional 40% interest at a fixed price or to sell its current 30% interest at fair value. The call option can be exercised between 18 to 26 months from the date of acquisition and the put option can be exercised within one month from the expiry date of the call option period. The amount payable on the exercise of the call option is included in trade and other payables. The management has concluded that the Group is in a position to exercise control on AH by virtue of its equity interest and options.

The Group has recorded fair values of assets and liabilities of AH at the date of acquisition, which are summarised below:

	Fair values *AED'000*
Property, plant and equipment	63,065
Intangible assets	48
Trade and other receivables	99,339
Other non-current assets	804
Cash and deposits with banks	67,732
Trade and other payables	(111,942)
Fair value of the net assets acquired	**119,046**
Less: Fair value of non-controlling interests	(83,330)
Group's share of net assets acquired	**35,716**
Purchase consideration	**(30,146)**
Gain on bargain purchase (see note 3)	**5,570**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	67,732
Consideration paid	(30,146)
Net cash inflow on acquisition	**37,586**

10 BUSINESS COMBINATIONS (continued)

c) Acquisition of Airport Handling SpA (continued)

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

The gain on bargain purchase has been classified as “other income” in the consolidated income statement.

The acquired entity contributed revenue of AED 347,328 thousand and a profit of AED 19,698 thousand from the acquisition date to 31 December 2016. If the acquisition had taken place at the beginning of the year, the contribution to the Group’s revenue and profit would have been AED 450,796 thousand and AED 19,335 thousand respectively.

d) Acquisition of dnata Aviation Services US Inc.

During the current year, one of the subsidiaries of the Group acquired 100% ownership of Ground Services International, Inc. (“GSI”) and Metro Air Service, Inc. (“Metro”) based in Detroit, Michigan, United States through a wholly owned subsidiary dnata aviation services US Inc. GSI and Metro are leading ground handling and United States postal services handling providers; together they have a presence in 31 international airports of the United States.

The Group has recorded the fair value of assets and liabilities of dnata Aviation Services US Inc. at the date of acquisition, which are summarised below:

	Fair values AED’000
Property, plant and equipment	101,566
Intangible assets	213,034
Trade and other receivables	2,891
Cash and deposits with banks	7,956
Deferred tax liabilities	(85,214)
Trade and other payables	(496)
Fair value of the net assets acquired	**239,737**
Goodwill	**274,487**
Purchase consideration (see below)	**514,224**
Contingent consideration	18,365
Consideration paid	495,859
Total purchase consideration	**514,224**

	AED’000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	7,956
Consideration paid	(495,859)
Net cash outflow on acquisition	**(487,903)**

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

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

10 BUSINESS COMBINATIONS (continued)

d) Acquisition of dnata Aviation Services US Inc. (continued)

The acquired entity contributed revenue of AED 368,468 thousand and a profit of AED 22,792 thousand from the acquisition date to 31 December 2016. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 491,291 thousand and AED 30,389 thousand respectively.

e) Acquisition of Palmilla JV, LLC

During the current year, the Group gained control of Palmilla JV, LLC ("Palmilla"), which was previously held as a joint venture, by investing AED 219,166 thousand. This is in addition to the acquisition date fair value of Group's previously held equity investment of AED 188,954 thousand. Accordingly, the Group started accounting for its investment in this entity as a subsidiary.

The principal activity of Palmilla is the provision of hospitality services in Mexico.

The Group has provisionally recorded the fair value of assets and liabilities of Palmilla at the date of acquisition, which are summarised below:

	Provisional fair values AED'000
Property, plant and equipment	655,190
Deferred tax asset	2,646
Inventories	10,463
Trade and other receivables	17,210
Cash and deposits with banks	82,254
Trade and other payables	(76,399)
Other non-current payables	(30,705)
Borrowings and lease liabilities	(487,875)
Provisional fair value of the net assets acquired*	**172,784**
Less: Fair value of non-controlling interests (provisional)*	(26,375)
Group's share of net assets acquired (provisional)*	**146,409**
Goodwill (provisional)*	**261,711**
Purchase consideration (see below)	**408,120**
Consideration paid for additional acquisition	219,166
Acquisition date fair value of previously held investment	188,954
Total purchase consideration	**408,120**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	82,254
Consideration paid	(219,166)
Net cash outflow on acquisition	**(136,912)**

10 BUSINESS COMBINATIONS (continued)

e) Acquisition of Palmilla JV, LLC (continued)

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

*Provisional goodwill represents the difference between the provisional fair value of net assets acquired and the purchase consideration. A purchase price allocation exercise is currently in progress and the goodwill will be adjusted once the exercise is complete. The Group has a one year measurement period from the date of acquisition to determine the fair values of identifiable assets and liabilities.

The acquired entity did not contribute any revenue and profit since it was acquired close to the reporting date. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 289,252 thousand and AED 11,680 thousand respectively.

f) Acquisition of Kerzner International Holdings Ltd

During 2015, the Group gained control of Kerzner International Holdings Ltd ("Kerzner") previously being held as an associate and started accounting for its investment in this entity as a subsidiary.

The principal activity of Kerzner is the operation and management of leading destination resorts and luxury hotels.

The Group recorded the fair values of assets and liabilities of Kerzner at the date of acquisition, which are summarised below:

	Fair values AED'000
Property, plant and equipment	357,662
Intangible assets	1,849,495
Investment properties (note 13)	17,078
Investments in associates and joint ventures (note 15)	59,237
Other non-current assets	353,542
Cash and deposits with banks	333,006
Deferred tax assets	48,727
Inventories	7,034
Trade and other receivables	349,723
Employees' end of service benefits	(14,395)
Borrowings and lease liabilities	(373,729)
Negative fair value of derivatives	(9,412)
Other non-current payables	(380,792)
Deferred tax liabilities	(2,653)
Trade and other payables	(112,470)
Fair value of the net assets acquired	**2,482,053**
Less: Fair value of non-controlling interests	(550,067)
Group's share of net assets acquired	**1,931,986**
Purchase consideration (see below)	**(1,812,948)**
Gain on bargain purchase (see note 3)	**119,038**

10 BUSINESS COMBINATIONS (continued)

f) Acquisition of Kerzner International Holdings Ltd (continued)

	Fair values AED'000
Consideration paid for additional acquisition	558,541
Acquisition date fair value of previously held investment	1,254,407
Total purchase consideration	**1,812,948**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	333,006
Cash paid	(558,541)
Net cash outflow on acquisition	**(225,535)**

g) Acquisition of Imdaad LLC

During 2015, the Group acquired 100% ownership of Imdaad LLC ("Imdaad"). The principal activity of Imdaad is the provision of integrated facilities management solutions.

The Group recorded the fair values of assets and liabilities of Imdaad at the date of acquisition which are summarised below:

	Fair values AED'000
Property, plant and equipment	84,402
Intangible assets	122,308
Investments in associates and joint ventures (note 15)	927
Other non-current assets	6,688
Islamic financing and investment products	76,505
Cash and deposits with banks	34,279
Inventories	3,555
Trade and other receivables	188,939
Employees' end of service benefits	(14,080)
Trade and other payables	(173,768)
Fair value of the net assets acquired	**329,755**
Goodwill	**45,538**
Purchase consideration (see below)	**375,293**
Consideration paid to acquire ownership	365,593
Consideration paid to acquire loan	9,700
Total purchase consideration	**375,293**

10 BUSINESS COMBINATIONS (continued)

g) Acquisition of Imdaad LLC (continued)

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	34,279
Consideration paid	(375,293)
Net cash outflow on acquisition	**(341,014)**

h) Additional stake in Dubai Aerospace Enterprise (DAE) Limited

During 2015, the Group acquired an additional stake for AED 91,875 thousand in one of its subsidiaries, Dubai Aerospace Enterprise ("DAE"), thus increasing its ownership from 68.36% to 80.53%. As a result, AED 430,530 thousand of non-controlling interests acquired by the Group were transferred from "non-controlling interest" to "equity attributable to the equity holder of ICD" and classified as "change in ownership" in the consolidated statement of changes in equity.

i) Acquisition of Canal Point FZE

During 2015, the Group acquired 100% ownership of Canal Point FZE for a consideration of AED 294,000 thousand, which was equivalent to the fair value of investment properties (note 13) in the books of Canal Point FZE on the date of acquisition.

j) Acquisition of Ssangyong Engineering & Construction Co., Ltd.

During 2015, ICD contributed capital in Ssangyong Engineering & Construction Co., Ltd. ("Ssangyong") and established control over Ssangyong's business. The principal activity of Ssangyong is to engage in engineering, construction, and sale of buildings and apartments.

In prior years, Ssangyong commenced rehabilitation proceedings in Seoul Central District Court (the "Court"). The Court concluded these rehabilitation proceedings on 26 March 2015 (the date when ICD established control over Ssangyong's business).

As at 31 December 2016, included in the approved rehabilitation plan were performance bonds and payment guarantees of AED 1,833,310 thousand (2015: AED 12,909,014 thousand) issued by Ssangyong in the normal course of business. Management carried out a detailed review and assessed how much of these contingent liabilities would crystalise. As a result, it was estimated that only AED 215,116 thousand (2015: AED 372,722 thousand) may crystalise and accordingly a provision was recognised for "rehabilitation liabilities" in the consolidated statement of financial position as at 31 December 2016, of AED 208,832 thousand (2015: AED 218,089 thousand) and AED 6,284 thousand (2015: AED 154,633 thousand), under "other non-current payables" and "trade and other payables" respectively. In line with the rehabilitation plan as approved by the Court in previous year, these provision for rehabilitation liabilities are subject to debt to equity swap and cash settlement. AED 190,203 thousand (2015: AED 329,497 thousand), representing the difference between the carrying value of the rehabilitation liabilities subject to debt to equity swap settlement, and the fair value of the shares to be issued as a result of the debt to equity swap settlement is accounted for as derivative assets. This is included under "positive fair value of derivatives" in the consolidated statement of financial position as at 31 December 2016 (see note 29).

10 BUSINESS COMBINATIONS (continued)

j) Acquisition of Ssangyong Engineering & Construction Co., Ltd. (continued)

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

	Fair values AED'000
Property, plant and equipment	41,846
Intangible assets	15,057
Investment properties (note 13)	88,784
Investments in associates and joint ventures (note 15)	507
Investments in marketable securities	193,714
Other non-current assets	644,868
Cash and deposits with banks	443,938
Positive fair value of derivatives	573,270
Deferred tax assets	33,483
Inventories	13,070
Trade and other receivables	1,277,875
Employees' end of service benefits	(157,197)
Other non-current payables	(870,254)
Trade and other payables	(1,175,955)
Fair value of net assets acquired	**1,123,006**
Less: Fair value of non-controlling interests	(61,754)
Group's share of net assets acquired	**1,061,252**
Purchase consideration	**(574,340)**
Gain on bargain purchase (see note 3)	**486,912**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	443,938
Consideration paid	(574,340)
Net cash outflow on acquisition	**(130,402)**

10 BUSINESS COMBINATIONS (continued)

k) Acquisition of Toll Dnata Airport Services Pty Ltd

During 2015, one of the subsidiaries of the Group obtained 100% control of an indirect joint venture of the Group, Toll dnata Airport Services Pty Ltd ("Toll dnata"), by acquiring the remaining 50% ownership through its wholly owned subsidiary, dnata Airport Services Limited, United Kingdom. Toll dnata is one of the leading ground and cargo handling companies operating in seven airports in Australia.

The Group recorded the fair values of assets and liabilities of Toll dnata at the date of acquisition, which are summarised below:

	Fair values AED'000
Property, plant and equipment	50,974
Intangible assets	1,646
Deferred tax assets	13,147
Trade and other receivables	77,639
Cash and deposits with banks	12,567
Employees' end of service benefits	(10,425)
Borrowings and lease liabilities	(29,510)
Trade and other payables	(76,850)
Fair value of the net assets acquired	**39,188**
Purchase consideration (see below)	**39,188**
Consideration paid for additional acquisition	21,948
Acquisition date fair value of previously held investment	17,240
Total purchase consideration	**39,188**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	12,567
Consideration paid	(21,948)
Net cash outflow on acquisition	**(9,381)**

l) Acquisition of Hotel Washington Corporation (Cayman) ("HW Hotel")

During 2015, the Group acquired 100% ownership of HW Hotel. The principal activity of HW Hotel is the provision of hospitality services.

The Group recorded the fair values of assets and liabilities of HW Hotel at the date of acquisition, which are summarised below:

10 BUSINESS COMBINATIONS (continued)

l) Acquisition of Hotel Washington Corporation (Cayman) ("HW Hotel") (continued)

	Fair values *AED'000*
Property, plant and equipment	564,109
Cash and deposits with banks	20,186
Inventories	1,606
Trade and other receivables	11,672
Borrowings and lease liabilities	(374,144)
Trade and other payables	(224,359)
Fair value of net assets acquired	**(930)**
Goodwill	930
Purchase consideration	**USD 1**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	20,186
Net cash inflow on acquisition	**20,186**

m) Acquisition of Columbus Center Corporation (Cayman) ("Columbus Hotel")

During 2015, the Group acquired 100% ownership of Columbus Hotel. The principal activity of Columbus Hotel is the provision of hospitality services.

The Group recorded the fair values of assets and liabilities of Columbus Hotel at the date of acquisition, which are summarised below:

	Fair values *AED'000*
Property, plant and equipment	1,062,027
Intangible assets	1,117
Other non-current assets	5,264
Cash and deposits with banks	60,255
Inventories	3,006
Trade and other receivables	26,647
Borrowings and lease liabilities (net of loan from ICD)	(660,595)
Trade and other payables	(59,175)
Fair value of net assets acquired	**438,546**
Less: Fair value of non-controlling interest	(78,131)
Group's share of net assets acquired	**360,415**
Goodwill	78,608
Purchase consideration (see below)	**439,023**
Consideration paid to acquire ownership	297,847
Consideration paid to acquire loan	141,176
Total purchase consideration	**439,023**

10 BUSINESS COMBINATIONS (continued)

m) Acquisition of Columbus Center Corporation (Cayman) ("Columbus Hotel") (continued)

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	60,255
Consideration paid	(439,023)
Net cash outflow on acquisition	**(378,768)**

n) Acquisition of dnata BV

During 2015, one of the subsidiaries of the Group acquired the cargo handling operations of Aviapartner at Amsterdam Airport Schiphol, The Netherlands. Along with the full cargo handling operations, this facility includes several specialist product lines including the Schiphol Animal Centre and Temperature Control Centre, as well as its Freighter Ramp Handling operations. Subsequent to the acquisition, the business was renamed as dnata BV.

The Group recorded the fair values of assets and liabilities of dnata BV at the date of acquisition, which are summarised below:

	Fair values AED'000
Property, plant and equipment	3,762
Intangible assets	24,143
Deferred tax assets	2,396
Trade and other receivables	23,154
Cash and deposits with banks	38,775
Employees' end of service benefits	(13,278)
Other non-current payables	(1,289)
Deferred tax liabilities	(6,029)
Trade and other payables	(24,239)
Fair value of net assets acquired	**47,395**
Goodwill	58,439
Purchase consideration	**105,834**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	38,775
Consideration paid	(105,834)
Net cash outflow on acquisition	**(67,059)**

10 BUSINESS COMBINATIONS (continued)

o) Plafond Fit Out LLC

During 2015, one of the subsidiaries of the Group obtained 100% control of a joint venture, Plafond Fit Out LLC ("Plafond"), by acquiring the remaining 50% shares. Plafond is a Dubai based fit-out, MEP and facilities maintenance company.

The Group recorded the fair values of assets and liabilities of Plafond Fit Out LLC at the date of acquisition, which are summarised below:

	Fair values AED'000
Property, plant and equipment	1,049
Intangible assets	22,866
Other non-current assets	1,118
Trade and other receivables	133,847
Cash and deposits with banks	51
Other non-current payables	(3,812)
Trade and other payables	(114,055)
Fair value of net assets acquired	**41,064**
Goodwill	65,920
Purchase consideration (see below)	**106,984**
Consideration paid for additional acquisition	22,000
Acquisition date fair value of previously held investment	84,984
Total purchase consideration	**106,984**

	AED'000
Analysis of cash flow on acquisition:	
Cash and deposits with banks acquired	51
Consideration paid	(22,000)
Net cash outflow on acquisition	**(21,949)**

p) Nigma Lifts Installations & Maintenance Co. LLC

During 2015, one of the subsidiaries of the Group acquired 99% ownership of Nigma Lifts Installations & Maintenance Co. LLC ("Nigma") for a consideration of AED 11,000 thousand. Nigma is engaged in providing facilities management and ancillary services.

The Group acquired / incorporated a number of other immaterial subsidiaries, associates and joint ventures during the current year. Further, the Group's shareholding changed during the current year in a number of subsidiaries, associates and joint ventures which individually had insignificant impact on the Group.

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 2016	34,082,772	6,080,164	23,793,105	15,440,844	87,759,268	6,664,697	14,780,847	188,601,697
Transfers from investment properties (see note 13)	280,355	79,642	-	-	-	-	-	359,997
Transfers (to)/from development properties (see note 14)	(32,469)	9,228	-	-	-	-	-	(23,241)
Other transfers	1,647,972	272,252	502,543	-	10,815,556	1,249,609	(14,487,932)	-
Additions during the year	734,385	460,336	3,752,438	1,596,699	2,490,008	200,108	14,122,461	23,356,435
Acquired on business combinations	1,281,793	145,655	474,137	-	-	-	7,754	1,909,339
Write off during the year	(6,773)	(10,121)	(41,693)	-	-	-	-	(58,587)
Disposals during the year	(627,630)	(444,537)	(2,659,131)	-	(7,836,179)	(179,616)	(462,280)	(12,209,373)
Translation differences	(19,914)	(33,308)	(84,779)	-	(385)	-	(4,943)	(143,329)
Transfer to assets held-for-sale (see note 23(a))	-	-	-	-	(3,038,938)	-	-	(3,038,938)
At 31 December 2016	**37,340,491**	**6,559,311**	**25,736,620**	**17,037,543**	**90,189,330**	**7,934,798**	**13,955,907**	**198,754,000**
Accumulated depreciation and impairment:								
Balance at 1 January 2016	8,708,632	4,546,669	13,231,563	8,258,824	17,687,405	2,054,950	1,551	54,489,594
Impairment and depreciation charge for the year (see note 8)	1,475,432	659,680	3,258,728	1,477,519	4,944,208	548,997	-	12,364,564
Acquired on business combinations	163,329	38,603	156,669	-	-	-	-	358,601
Transfer (to) / from investment properties (see note 13)	(66)	6,365	-	-	-	-	-	6,299
Relating to disposals during the year	(574,676)	(393,046)	(2,514,845)	-	(1,350,475)	(128,504)	-	(4,961,546)
Write off during the year	(6,641)	(9,856)	(40,902)	-	-	-	-	(57,399)
Translation differences	8,052	(24,615)	(37,955)	-	(283)	-	-	(54,801)
Other transfers	(1,993)	3,720	(1,727)	-	-	-	-	-
Transfer to assets held-for-sale (see note 23(a))	-	-	-	-	(989,498)	-	-	(989,498)
At 31 December 2016	**9,772,069**	**4,827,520**	**14,051,531**	**9,736,343**	**20,291,357**	**2,475,443**	**1,551**	**61,155,814**
Net book value:								
At 31 December 2016	**27,568,422**	**1,731,791**	**11,685,089**	**7,301,200**	**69,897,973**	**5,459,355**	**13,954,356**	**137,598,186**

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 2015	30,825,064	5,262,969	22,060,277	13,309,656	81,002,199	5,930,173	11,429,044	169,819,382
Transfers from investment properties (see note 13)	49,433	-	-	-	-	-	-	49,433
Transfers from development properties (see note 14)	159,470	-	3,399	-	-	-	-	162,869
Other transfers	659,568	238,971	712,969	-	8,676,125	471,809	(10,759,442)	-
Transfers to inventories	-	-	-	-	-	(2,668)	-	(2,668)
Additions during the year	656,615	370,109	2,709,286	2,131,188	1,670,118	316,112	13,726,875	21,580,303
Arising on transfer of a subsidiary from the Government (see note 9)	25,405	22,398	4,065	-	1,989,095	534,235	794,412	3,369,610
Acquired on business combinations	2,583,583	414,273	500,399	-	13,583	-	47,759	3,559,597
Write off during the year	(14,844)	(11)	(2,863)	-	-	-	(23,627)	(41,345)
Disposals during the year	(721,942)	(199,465)	(2,015,186)	-	(5,591,076)	(584,963)	(431,075)	(9,543,707)
Translation differences	(139,580)	(29,080)	(179,241)	-	(776)	(1)	(3,099)	(351,777)
At 31 December 2015	34,082,772	6,080,164	23,793,105	15,440,844	87,759,268	6,664,697	14,780,847	188,601,697
Accumulated depreciation and impairment:								
Balance at 1 January 2015	6,940,965	3,747,492	11,444,057	6,618,377	14,002,004	1,798,471	1,466	44,552,832
Other transfers	3,109	2,536	(5,645)	-	-	-	-	-
Impairment and depreciation charge for the year (see note 8)	1,352,085	651,940	3,073,124	1,640,447	4,946,991	394,199	85	12,058,871
Arising on transfer of a subsidiary from the Government (see note 9)	10,101	10,727	2,147	-	153,293	177,618	-	353,886
Acquired on business combinations	667,391	330,787	386,185	-	9,235	-	-	1,393,598
Transfer to investment properties (see note 13)	(797)	-	-	-	-	-	-	(797)
Transfer to inventories	-	-	-	-	-	(272)	-	(272)
Relating to disposals during the year	(198,345)	(173,956)	(1,587,783)	-	(1,423,567)	(315,066)	-	(3,698,717)
Write off during the year	(1,365)	(16)	(2,863)	-	-	-	-	(4,244)
Translation differences	(64,512)	(22,841)	(77,659)	-	(551)	-	-	(165,563)
At 31 December 2015	8,708,632	4,546,669	13,231,563	8,258,824	17,687,405	2,054,950	1,551	54,489,594
Net book value:								
At 31 December 2015	25,374,140	1,533,495	10,561,542	7,182,020	70,071,863	4,609,747	14,779,296	134,112,103

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

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

(ii) Certain business premises are erected on plots of land obtained on a leasehold basis from the Government/third parties. Management is of the opinion that the leases are renewable and that 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 51,524,609 thousand (2015: AED 48,996,943 thousand) in respect of aircraft and aircraft engines held under finance leases. These are provided as security against finance lease liabilities included under borrowings and lease liabilities.

(c) Borrowing costs of AED 207,461 thousand (2015: AED 182,889 thousand) have been capitalised during the year.

(d) Capital work-in-progress mainly includes:

(i) pre-delivery payments of AED 7,065,664 thousand (2015: AED 8,931,313 thousand) in respect of aircraft delivery.

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

(e) Aircraft includes carrying value of AED 6,514,323 thousand (2015: AED 5,545,715 thousand), which have been given on operating leases to various operators.

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

12 INTANGIBLE ASSETS

	Licences, exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and trade names AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2016	11,648,924	11,483,766	808,988	1,723,198	1,363,994	2,761,241	366,912	30,157,023
Additions during the year	-	-	2,205	65,406	217,326	-	352,447	637,384
Acquired on business combinations	142,777	831,644	348,607	1,279	-	66,412	-	1,390,719
Disposals during the year	-	-	-	(44,240)	(72,864)	-	-	(117,104)
Other transfers	16,435	-	-	375,638	-	-	(392,073)	-
Write off during the year	-	-	(67,547)	(61,384)	-	(12,451)	-	(141,382)
Translation differences	(123,298)	(315,107)	(22,631)	(20,493)	(243)	(79,228)	(26)	(561,026)
At 31 December 2016	**11,684,838**	**12,000,303**	**1,069,622**	**2,039,404**	**1,508,213**	**2,735,974**	**327,260**	**31,365,614**
Accumulated amortisation and impairment:								
Balance at 1 January 2016	1,725,481	195,909	535,982	1,173,324	800,905	603,224	-	5,034,825
Impairment and amortisation charge for the year (see note 8)	408,700	-	77,276	213,426	87,232	116,392	-	903,026
Relating to disposals during the year	-	-	-	(33,655)	(20,767)	-	-	(54,422)
Write off during the year	-	-	(67,547)	(56,121)	-	(12,451)	-	(136,119)
Translation differences	(20,390)	(23,274)	(15,502)	(10,437)	(116)	(38,348)	-	(108,067)
At 31 December 2016	**2,113,791**	**172,635**	**530,209**	**1,286,537**	**867,254**	**668,817**	**-**	**5,639,243**
Net book value:								
At 31 December 2016	**9,571,047**	**11,827,668**	**539,413**	**752,867**	**640,959**	**2,067,157**	**327,260**	**25,726,371**

12 INTANGIBLE ASSETS (continued)

	Licences and exclusive rights and right to use AED'000	*Goodwill AED'000*	*Customer relationships and trade names AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Brands and contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2015	11,876,907	15,013,502	624,885	1,275,972	1,300,174	1,052,439	169,638	31,313,517
Additions during the year	-	13,664	3,256	163,326	58,550	11	337,542	576,349
Arising on transfer of a subsidiary from the Government (see note 9)	-	-	-	43,471	-	-	35,447	78,918
Acquired on business combinations	-	285,604	342,010	104,412	8,592	1,956,747	1,462	2,698,827
Disposals during the year	(191,023)	(3,678,557)	(140,977)	(20,881)	-	(220,407)	(8,989)	(4,260,834)
Other transfers	-	-	-	168,032	-	-	(168,032)	-
Translation differences	(36,960)	(150,447)	(20,186)	(11,134)	(3,322)	(27,549)	(156)	(249,754)
At 31 December 2015	11,648,924	11,483,766	808,988	1,723,198	1,363,994	2,761,241	366,912	30,157,023
Accumulated amortisation and impairment:								
Balance at 1 January 2015	1,315,491	203,792	404,612	905,714	705,522	419,528	-	3,954,659
Impairment and amortisation charge for the year (see note 8)	449,940	-	59,947	170,239	91,929	81,409	-	853,464
Arising on transfer of a subsidiary from the Government (see note 9)	-	-	-	26,646	-	-	-	26,646
Acquired on business combinations	-	29,125	165,307	91,820	3,686	115,778	-	405,716
Relating to disposals during the year	(32,873)	(27,456)	(81,122)	(14,126)	-	(273)	-	(155,850)
Write off during the year	-	-	-	(1,025)	-	-	-	(1,025)
Translation differences	(7,077)	(9,552)	(12,762)	(5,944)	(232)	(13,218)	-	(48,785)
At 31 December 2015	1,725,481	195,909	535,982	1,173,324	800,905	603,224	-	5,034,825
Net book value:								
At 31 December 2015	9,923,443	11,287,857	273,006	549,874	563,089	2,158,017	366,912	25,122,198

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangible assets
A significant proportion of goodwill and other intangible assets with indefinite useful lives of the Group as at 31 December 2016 relates to Emirates NBD PJSC, Emirates, dnata, Borse Dubai Limited and D-Clear Europe Limited. Significant assumptions used by management in carrying out the impairment testing of such assets are as follow:

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

The goodwill has been allocated to the following four CGUs:

- Corporate banking
- Consumer banking
- Treasury
- Emirates NBD Egypt

Key assumptions used in impairment testing for goodwill
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 the value in use in the 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 prevailing market rates at 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 2016, the goodwill allocated to Corporate Banking was AED 3,364 million (2015: AED 3,364 million), the goodwill allocated to Consumer Banking was AED 1,700 million (2015: AED 1,700 million), the goodwill allocated to Treasury was AED 206 million (2015: AED 206 million), and the goodwill allocated to Emirates NBD Egypt was AED 82 million (2015: AED 121 million).

12 INTANGIBLE ASSETS (continued)

(a) Emirates NBD PJSC (continued)

Impairment testing of goodwill and other intangible assets (continued)
The recoverable amount of goodwill of CGUs, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with an appropriate terminal growth rate applied thereafter. The forecasted cash flows have been discounted using the WACC in the jurisdiction where the CGU operates. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount of the CGUs as mentioned in the table below:

CGUs	***One percentage increase in discount rate (AED million)***	***One percentage decrease in terminal growth rate (AED million)***
Corporate Banking	30,624	26,768
Consumer Banking	29,135	25,466
Treasury	2,267	1,982
Emirates NBD Egypt	208	140

(b) Emirates
For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs 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. The key assumptions used in the value in-use calculations includes a risk adjusted pre-tax discount rate of 12% (2015: 12%), gross margins consistent with historical trends and growth rates based on management's expectations for market development. The long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs operate. Any reasonably possible change to the assumptions will not lead to an impairment. The goodwill allocated to the CGUs or group of CGUs are as follows:

		Goodwill (AED million)	
CGUs	***Location***	***2016***	*2015*
Consumer goods	UAE	**200**	159
Catering operations	UAE	**369**	369
Food and beverage	UAE	**25**	25
Food and beverage	Australia	**3**	3
		597	556

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangible assets (continued)

(c) dnata

For the purpose of testing the goodwill for impairment, the recoverable amounts of the CGUs or group of CGUs have been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of three years. Cash flows beyond such 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 long term growth rate does not exceed the long term average growth rate for the markets in which the CGUs or group of CGUs operate. The goodwill allocated to CGUs or group of CGUs and the key assumptions used in the value-in-use calculations are as follows:

		Goodwill (AED million)		*Discount rate (%)*	*Terminal growth rate (%)*
CGUs	***Location***	***2016***	*2015*	***2016***	***2016***
Airport operations	Singapore	86	88	7	3
Airport operations	Switzerland	243	252	6	1.5
Airport operations	Australia	28	28	10	2.5
Airport operations	Netherlands	57	57	8.5	1.5
Airport operations	Brazil	36	-	16	2.5
Airport operations	USA	274	-	9.5	2
Airport operations	Czech Republic	21	-	8.5	1.5
In-flight catering group	UK	458	475	8	1.5
Online travel services	UK	417	505	8.5	1.5
Travel services	UK	159	193	8.5	1.5
Travel services	UAE	3	3	-	-
Others	UAE	66	66	12	3
		1,848	1,667		

The recoverable value of CGUs or group of CGUs would not fall below their carrying amount with a 5% reduction in the gross margin, 1% reduction in the terminal growth rate or a 1% increase in the discount rate.

(d) Borse Dubai Limited

Goodwill relating to Borse Dubai Limited has a carrying value of AED 2,883 million (2015: AED 2,883 million). Management allocates the entire goodwill to Dubai Financial Market PJSC ("DFM"), a subsidiary of Borse Dubai Limited. There was no indication of impairment of such goodwill as at 31 December 2016 and 31 December 2015 as DFM's fair value based on its quoted market price at 31 December 2016 and 31 December 2015 was higher than the carrying amount of DFM at the respective dates.

(e) D-Clear Europe Limited

Goodwill relating to D-Clear has a carrying value of AED 665 million (2015: AED 657 million). Management allocates the entire goodwill to Smartstream, a subsidiary of D-Clear and hence considers it as a CGU.

For the purpose of testing the goodwill for impairment, the recoverable amount of the CGU has been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period to December 2020. Cash flows beyond such period have been extrapolated using a terminal growth rate of 2% per annum (2015: 1.5% per annum). The key assumptions used in the value-in-use calculations also include a pre-tax discount rate of 10.2% per annum (2015: 10.9% per annum). Based on the results of this analysis, management has concluded that no impairment is required for the years ended 31 December 2016 or 31 December 2015.

The recoverable value of CGU would not fall below their carrying amount with reduction in the terminal growth rate to 0.4% or an increase in the discount rate by 1%.

13 INVESTMENT PROPERTIES

	2016	*2015*
	AED'000	*AED'000*
Cost:		
Balance at the beginning of the year	**11,189,413**	10,659,341
Additions during the year (see note 37(b)(i))	**6,961,118**	1,033,348
Transfers to property, plant and equipment (see note 11)	**(359,997)**	(49,433)
Transfers from development properties (see note 14)	**100,324**	340,880
Transfer to assets directly associated with disposal group classified as held for sale (see note 23(c))	**-**	(491,201)
Acquired on business combinations (see note 10)	**590,356**	452,874
Write off during the year	**-**	(95,027)
Disposals / transfers during the year	**(434,135)**	(652,711)
Translation difference	**(22,377)**	(8,658)
At 31 December	**18,024,702**	11,189,413
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**2,599,199**	2,658,091
Depreciation and impairment charge for the year (see note 8)	**215,514**	181,188
Write off during the year	**-**	(95,027)
Reversal of impairment loss recognised previously against the value of the investment properties (see note 3)	**(7,744)**	(3,208)
Transfers (to) / from property, plant and equipment (see note 11)	**(6,299)**	797
Relating to disposals / transfers during the year	**(125,003)**	(188,867)
Acquired on business combinations (see note 10)	**53,049**	53,012
Translation difference	**(677)**	(6,787)
At 31 December	**2,728,039**	2,599,199
Net book value:		
At 31 December	**15,296,663**	8,590,214

13.1 The fair values of investment properties as at the year end have been determined internally by management and / or through third party valuations. Based on such assessment, impairment amounting to AED 57,600 thousand has been recorded during the year ended 31 December 2016 (2015: AED 41,184 thousand). The fair value measurement of investment properties has been categorised 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. is expected to result in significantly lower / higher fair value of those assets.

14 DEVELOPMENT PROPERTIES

	2016 ***AED'000***	*2015* *AED'000*
Cost:		
Balance at the beginning of the year	**368,995**	537,464
Additions during the year	**315,920**	330,615
Acquired on a business combination (see note 10(a))	**140,591**	-
Net transfers from / (to) property, plant and equipment (see note 11)	**23,241**	(162,869)
Transfers to cost of revenues	**-**	(1,719)
Transfers to investment properties (see note 13)	**(100,324)**	(340,880)
Transfers to inventories	**(38,238)**	-
Net movement in capital advances during the year	**4,041**	6,384
At 31 December	**714,226**	368,995
Accumulated impairment:		
Balance at the beginning of the year	**42,801**	45,600
Reversal of impairment during the year (see note 3)	**(1,343)**	(2,799)
At 31 December	**41,458**	42,801
Net book value:		
At 31 December	**672,768**	326,194

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2016 ***AED'000***	*2015* *AED'000*
Investments in associates	**25,549,200**	24,094,043
Investments in joint ventures	**17,133,663**	15,473,504
	42,682,863	39,567,547

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	2016 AED'000	*2015 AED'000*
Balance at the beginning of the year	**39,567,547**	38,022,686
Investments made during the year (see note (a))	**1,596,457**	1,637,307
Share of results of associates and joint ventures - net	**3,973,650**	4,004,926
Dividends received	**(1,609,623)**	(1,768,854)
Arising from business combinations (see note 10)	**-**	60,671
Actuarial losses on defined benefit plans	**(45,585)**	(49,754)
Conversion of previously owned associates / joint ventures to subsidiaries (see notes (b) and (c))	**(205,096)**	(1,972,852)
Disposal during the year	**(93,583)**	(4,811)
Loss in excess of cost of investment recognised as liability	**2,520**	-
Transfer to marketable securities	**(18,052)**	-
Amounts recognised directly in equity (net)		
- Translation difference	**(294,521)**	(187,969)
- Cumulative changes in fair value	**(64,340)**	(234,702)
- Others	**(126,511)**	60,899
At 31 December	**42,682,863**	39,567,547

a) During the current year, the Group has subscribed to right shares amounting to AED 948,495 thousand issued by one of its associates.

b) During the current year, the Group increased its ownership stake in Palmilla and gained control of it with an investment of AED 219,166 thousand. This was in addition to the Group's existing carrying value of investment of AED 188,954 thousand on the date of conversion. The Group accordingly started accounting for Palmilla as a subsidiary (see note 10(e)).

c) During 2015, the Group increased its ownership stake in Kerzner and gained control of it with an investment of AED 558,541 thousand. This was in addition to the Group's existing carrying value of investment of AED 1,292,537 thousand at the date of conversion. The Group accordingly started accounting for Kerzner as a subsidiary (see note 10(f)).

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

31 December 2016

	Emaar Properties PJSC** AED'000	***Dubai Islamic Bank PJSC** AED'000***	***Nasdaq Inc.** AED'000***	***Emirates Global Aluminium PJSC* AED'000***
Total assets	101,860,026	174,703,420	52,761,975	55,809,359
Total liabilities	(59,778,758)	(147,701,289)	(31,652,775)	(32,900,757)
Net assets	**42,081,268**	**27,002,131**	**21,109,200**	**22,908,602**
Group's share of net assets	**9,751,319**	**5,518,593**	**3,774,325**	**11,454,301**

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

d) The following table summarises the statement of financial position of the Group's material associates and joint ventures (continued):

31 December 2015

	*Emaar Properties PJSC***	*Dubai Islamic Bank PJSC***	*Nasdaq Inc.***	*Emirates Global Aluminium PJSC**
	AED'000	*AED'000*	*AED'000*	*AED'000*
Total assets	81,460,904	149,630,419	44,349,900	54,403,225
Total liabilities	(43,460,428)	(127,103,976)	(22,582,875)	(33,343,016)
Net assets	38,000,476	22,526,443	21,767,025	21,060,209
Group's share of net assets	9,422,909	4,268,491	3,944,186	10,530,104

* 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 the 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 these associates, where applicable, predominantly relates to goodwill and intangible assets included in the Group's carrying value of such associate.

e) The following table summarises the income statement and statement of other comprehensive income of the Group's material associates and joint ventures:

Year ended 31 December 2016

	Emaar Properties PJSC	***Dubai Islamic Bank PJSC***	***Nasdaq Inc.***	***Emirates Global Aluminium PJSC***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Revenue	10,280,104	8,635,961	8,290,800	17,071,395
Profit for the year	**3,118,916**	**3,119,188**	**385,875**	**1,846,529**
Other comprehensive (loss) / income for the year	(842,909)	(126,064)	(422,625)	1,859
Total comprehensive income / (loss) for the year	**2,276,007**	**2,993,124**	**(36,750)**	**1,848,388**
Group's share of total comprehensive income / (loss) for the year	**625,800**	**925,524**	**(6,571)**	**924,194**
Dividend paid to the Group during the year	**295,291**	**542,543**	**132,425**	**-**

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 (continued):

Year ended 31 December 2015

	Emaar Properties PJSC	*Dubai Islamic Bank PJSC*	*Nasdaq Inc.*	*Emirates Global Aluminium PJSC*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Revenue	10,215,999	7,209,086	12,469,275	18,697,734
Profit for the year	2,588,411	3,202,031	1,565,550	1,670,362
Other comprehensive (loss) / income for the year	(716,458)	(154,422)	(668,850)	11,471
Total comprehensive income for the year	1,871,953	3,047,609	896,700	1,681,833
Group's share of total comprehensive income for the year	514,703	850,725	162,483	840,917
Dividend paid to the Group during the year	295,291	464,414	98,487	-

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

	2016	*2015*
	AED'000	*AED'000*
Profit for the year	**761,380**	867,666
Other comprehensive loss for the year	**(20,822)**	(79,845)
Group's share of total comprehensive income for the year	**740,558**	787,821
Carrying amount of the Group's interest	**4,864,660**	4,815,827

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

	2016	*2015*
	AED'000	*AED'000*
Profit for the year	**475,018**	438,843
Other comprehensive loss for the year	**(20,440)**	(9,228)
Group's share of total comprehensive income for the year	**454,578**	429,615
Carrying amount of the Group's interest	**4,707,155**	3,971,187

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

h) The market values, as at 31 December, of the Group's interest held in various associates whose securities are quoted, are as follows:

	2016	*2015*
	AED'000	*AED'000*
Emaar Properties PJSC	**14,036,159**	11,201,366
Dubai Islamic Bank PJSC	**7,798,415**	6,820,679
Commercial Bank of Dubai PSC	**2,914,843**	3,531,445
Nasdaq Inc.	**7,350,000**	6,365,100
Emirates Refreshment PSC*	**-**	29,400

* Disposed of during the current year

The carrying value of the above associates is AED 22,412,736 thousand (2015: AED 20,925,877 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 fair 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

	2016	*2015*
	AED'000	*AED'000*
Available-for-sale investments		
Equities – quoted	**5,754,167**	6,315,131
Equities – unquoted	**1,889,830**	2,081,063
Sovereign bonds	**6,660,801**	8,487,256
Corporate bonds	**4,617,036**	5,409,335
Others	**907,738**	872,147
	19,829,572	23,164,932
Held-to-maturity investments		
Corporate bonds	**787,838**	1,017,863
Sovereign bonds	**1,059,264**	86,541
Others	**62,159**	60,090
	1,909,261	1,164,494
Held at fair value through profit or loss		
Equities	**254,671**	331,789
Hybrid instruments	**73,025**	24,535
Sovereign bonds	**298,661**	10,705
Corporate bonds	**1,511,463**	1,866,768
Others	**261,212**	285,613
	2,399,032	2,519,410
Total investments in marketable securities	**24,137,865**	26,848,836

16 INVESTMENTS IN MARKETABLE SECURITIES (continued)

	2016 AED'000	*2015 AED'000*
Disclosed as follows:		
Non-current assets	**19,139,992**	20,652,573
Current assets	**4,997,873**	6,196,263
	24,137,865	26,848,836

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

	2016 AED'000	*2015 AED'000*
Change in fair value of available-for-sale investments recognised in equity	**(480,671)**	(1,312,046)
Change in fair value of investments classified as at fair value through profit or loss (see note 3)	**(2,857)**	(26,010)

During the year, the Group has transferred investments in marketable securities amounting to AED 1,037 million (2015: AED Nil) from available-for-sale investments to held-to-maturity investments due to change in the intention.

The available-for-sale investments include securities with carrying value of AED 45,906 thousand (2015: AED 248,334 thousand) that have been pledged under a repurchase agreement (see note 34).

During 2015, a subsidiary of the Group sold its investment in the London Stock Exchange ("LSE"), classified as available-for-sale investment, for a consideration of USD 2 billion (AED 7.4 billion).

As at year end, investments in marketable securities measured at fair value, are categorised as follows:

	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
31 December 2016				
Available-for-sale investments	**19,829,572**	**13,891,858**	**3,558,891**	**2,378,823**
Held at fair value through profit or loss	**2,399,032**	**2,135,461**	**100,238**	**163,333**
Derivative financial instruments - net (see note 29)	**(39,627)**	**(513,258)**	**200,168**	**273,463**
	22,188,977	**15,514,061**	**3,859,297**	**2,815,619**

	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
31 December 2015				
Available-for-sale investments	23,164,932	14,712,332	5,970,674	2,481,926
Held at fair value through profit or loss	2,519,410	2,179,325	108,849	231,236
Derivative financial instruments - net (see note 29)	(488,138)	288,054	(1,100,900)	324,708
	25,196,204	17,179,711	4,978,623	3,037,870

During current or prior year, there have been no transfers between Level 1 and Level 2 of the fair value of hierarchy.

16 INVESTMENTS IN MARKETABLE SECURITIES (continued)

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

	2016	*2015*
	AED'000	*AED'000*
Balance at the beginning of the year	**3,037,870**	2,968,343
Investments made during the year	**281,289**	477,205
Settlements / disposals of investment during the year	**(523,696)**	(1,117,520)
Arising on business combinations	**-**	763,768
Net fair value movement during the year	**(7,920)**	406,511
Net transfers from Level 1 and Level 2	**28,076**	97,741
Due to change in ownership of previously owned investment	**-**	(558,178)
At 31 December	**2,815,619**	3,037,870

17 OTHER NON-CURRENT ASSETS

	2016	*2015*
	AED'000	*AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 17.1 and 37 (b))	**10,972,886**	12,839,711
Loans to / receivables from associates and joint ventures (see note 37(b))	**4,225,956**	4,679,666
Advance lease rentals (see note 17.2)	**4,351,207**	2,102,284
Lease acquisition cost	**706,702**	596,747
Long term retentions	**280,596**	409,730
Other receivables	**1,828,730**	2,662,279
	22,366,077	23,290,417
Less: provision for impairment (see note 17.3)	**(61,773)**	(86,887)
	22,304,304	23,203,530

17.1 One of the subsidiaries of the Group was historically required to provide retail gasoline at a fixed price in the UAE. Effective 1 August 2015, the UAE Ministry of Energy announced a new pricing policy linked to global oil prices. As a result, the prices of retail gasoline and diesel are set based on the average of international fuel price trackers and an addition of a margin for distribution companies.

Included in the amounts receivable from related parties is an amount of AED 9,643,053 thousand (2015: AED 11,480,553 thousand) due from the Government representing a receivable in respect of such cost overruns, of which the cost overrun for 2016 is AED Nil (2015: AED 166,110 thousand), and the balance represents amounts due in respect of cost overruns for previous years since 2008 till 2015, under the terms of a government grant. Accordingly, during 2015, AED 166,110 thousand had 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 margin. The interest on the outstanding receivable for the year ended 31 December 2016 amounted to AED 294,367 thousand (2015: AED 277,830 thousand).

17 OTHER NON-CURRENT ASSETS (continued)

17.2 Movement in advance lease rentals:

	2016 ***AED'000***	*2015* *AED'000*
Balance at the beginning of the year	**2,363,822**	1,000,674
Additions during the year	**2,838,151**	1,562,797
Charge for the year (see note 8)	**(388,638)**	(198,398)
Translation differences - net	**1,194**	(1,251)
At 31 December	**4,814,529**	2,363,822

Advance lease rentals are reflected in the consolidated statement of financial position as follows:

	2016 ***AED'000***	*2015* *AED'000*
Within one year – current portion (see note 19)	**463,322**	261,538
After one year – non-current portion	**4,351,207**	2,102,284
	4,814,529	2,363,822

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

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

	2016 ***AED'000***	*2015* *AED'000*
Balance at the beginning of the year	**86,887**	415,578
(Reversal of) / impairment during the year - net of recoveries (see note 4)	**(31,542)**	62,191
Arising on business combinations	**-**	625,440
Amounts written-off during the year	**-**	(944,591)
Translation differences - net	**6,428**	(71,731)
At 31 December	**61,773**	86,887

18 INVENTORIES

	2016 ***AED'000***	*2015* *AED'000*
Finished goods / inventory property	**5,007,184**	4,717,885
Raw materials	**673,183**	543,778
Spare parts and consumables	**1,272,120**	1,228,510
Engineering	**686,794**	719,204
Goods in-transit	**1,442,889**	839,434
Consumer goods	**447,659**	393,615
Others	**337,621**	256,815
	9,867,450	8,699,241
Less: provision for slow moving and obsolete inventories	**(149,439)**	(330,909)
	9,718,011	8,368,332

19 TRADE AND OTHER RECEIVABLES

	2016 ***AED'000***	*2015* *AED'000*
Trade receivables	**13,696,154**	11,298,785
Prepayments and other receivables	**12,067,872**	7,326,811
Amounts receivable from Government, MOF and other related parties (see note 37(b))	**1,662,432**	7,780,098
Accrued interest receivable	**1,688,487**	1,594,391
Contract receivables	**1,125,037**	777,062
Loan receivables	**601,749**	208,972
Retentions receivable - current portion	**35,398**	29,657
Amounts receivable from associates and joint ventures (see note 37(b))	**1,143,235**	818,369
Advance to suppliers	**1,029,534**	56,019
Operating lease deposits	**683,824**	499,137
Advance lease rentals (see note 17.2)	**463,322**	261,538
	34,197,044	30,650,839
Less: provision for impairment of trade / contract receivables (see note below)	**(1,374,899)**	(1,611,514)
	32,822,145	29,039,325

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

	2016 ***AED'000***	*2015* *AED'000*
Balance at the beginning of the year	**1,611,514**	647,433
Charge for the year (see note 4)	**185,427**	362,448
Amounts written off	**(342,691)**	(836,068)
Reversal during the year (see note 4)	**(70,881)**	(138,096)
Arising on business combinations	**15,071**	1,674,913
Upon disposal of an indirect subsidiary	**-**	(735)
Translation differences	**(23,541)**	(98,381)
At 31 December	**1,374,899**	1,611,514

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2016 ***AED'000***	*2015* *AED'000*
Murabaha	**31,439,800**	30,737,811
Ijara	**18,696,462**	15,124,343
Wakala	**14,004,157**	16,587,700
Mudaraba	**739,855**	188,708
Istisna'a	**2,313,876**	1,180,460
Credit cards receivable	**1,096,076**	896,408
Others	**606,982**	979,372
	68,897,208	65,694,802
Less: Deferred income	**(2,688,915)**	(2,533,031)
Less: Allowance for impairment (see note below)	**(5,050,407)**	(4,639,313)
Net Islamic financing and investment products	**61,157,886**	58,522,458
Total of impaired Islamic financing and investment products	**6,013,863**	5,820,107

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 1,393,784 thousand (2015: AED 1,071,138 thousand) due from Government, MOF and other related parties and AED 10,491,756 thousand (2015: AED 12,139,424 thousand) due from associates and joint ventures (see note 37(b)).

Corporate Ijara assets amounting to AED 5.9 billion (2015: AED 3.7 billion) and Murabaha assets amounting to AED 1.5 billion (2015: Nil) in Emirates NBD PJSC and its subsidiaries (Emirates NBD and its subsidiaries are together defined as the "Bank") were securitised for the purpose of issuance of Sukuk liability (see note 28(d)).

	2016 AED'000	*2015 AED'000*
Analysis by economic activity:		
Services and personal loans	**32,494,403**	30,431,419
Construction and real estate	**12,270,290**	9,408,400
Trade	**3,127,007**	2,872,553
Financial services	**15,643,677**	17,217,200
Transport and communication	**1,323,947**	1,301,352
Manufacturing	**1,044,157**	1,811,992
Agriculture and allied activities	**32,278**	17,389
Others	**2,961,449**	2,634,497
	68,897,208	65,694,802
Less: Deferred income	**(2,688,915)**	(2,533,031)
Less: Allowance for impairment (see note below)	**(5,050,407)**	(4,639,313)
Net Islamic financing and investment products	**61,157,886**	58,522,458
Disclosed as follows:		
Non-current assets	**36,194,834**	31,531,485
Current assets	**24,963,052**	26,990,973
Net Islamic financing and investment products	**61,157,886**	58,522,458
Movement in allowance for impairment:		
Balance at the beginning of the year	**4,639,313**	4,222,473
Allowance for impairment made during the year (net of recoveries (see note 4))	**1,248,558**	937,879
Write-offs during the year	**(837,524)**	(521,050)
Exchange and other adjustments	**60**	11
At 31 December	**5,050,407**	4,639,313

21 LOANS AND RECEIVABLES

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

	2016	*2015*
	AED'000	*AED'000*
Overdrafts	**112,410,661**	101,438,537
Time loans	**128,856,349**	124,044,954
Loans against trust receipts	**8,169,257**	8,244,741
Bills discounted	**2,652,915**	2,640,618
Credit card receivables	**5,218,498**	4,493,159
Others	**624,025**	606,838
	257,931,705	241,468,847
Other debt instruments	**63,649**	114,314
Less: allowance for impairment (see note below)	**(19,593,196)**	(18,670,128)
Net loans and receivables	**238,402,158**	222,913,033
Total of impaired loans and receivables	**14,773,140**	15,091,904
Disclosed as follows:		
Non-current assets	**82,002,352**	78,315,082
Current assets	**156,399,806**	144,597,951
Net loans and receivables	**238,402,158**	222,913,033

Loans and receivables include AED 132,166,558 thousand (2015: AED 122,356,362 thousand) due from Government, MOF and other related parties and AED Nil (2015: AED 26,466 thousand) due from associates and joint ventures (see note 37(b)).

As at 31 December 2016, the corporate loans and receivables amounting to AED 1,313 million (2015: AED 2,282 million) have been securitised for the purpose of issuance of a borrowing under loan securitisation agreement. The associated liability has been included under "debt issued and other borrowed funds" amounting to AED 1,313 million (2015: AED 2,282 million) (see note 28(a)).

	2016	*2015*
	AED'000	*AED'000*
Analysis by segment:		
Corporate banking	**204,565,308**	193,151,861
Consumer banking	**33,733,742**	29,602,250
Treasury	**12,111**	33,238
Others	**90,997**	125,684
Net loans and receivables	**238,402,158**	222,913,033
Analysis by economic activity:		
Services (includes financial services)	**26,367,883**	25,363,475
Personal	**38,812,673**	33,842,736
Sovereign	**129,393,356**	119,164,348
Construction and real estate	**39,450,518**	36,987,955
Manufacturing	**6,234,001**	7,567,864
Trade	**14,030,483**	12,845,359
Transport and communication	**2,576,570**	4,262,766
Mining and quarrying	**450,232**	507,313
Agriculture and allied activities	**101,771**	159,128
Others	**577,867**	882,217
Loans and receivables before allowance for impairment	**257,995,354**	241,583,161
Less: allowance for impairment (see note below)	**(19,593,196)**	(18,670,128)
Net loans and receivables	**238,402,158**	222,913,033

21 LOANS AND RECEIVABLES (continued)

Movement in allowance for impairment

	2016 *AED'000*	*2015* *AED'000*
Balance at the beginning of the year	**18,670,128**	16,870,983
Allowance for impairment made during the year (net of recoveries of AED 1,569,187 thousand (2015: AED 1,500,540 thousand)) (see note 4)	**1,481,521**	2,198,658
Amounts written-off during the year	**(547,267)**	(391,487)
Exchange and other adjustments	**(11,186)**	(8,026)
At 31 December	**19,593,196**	18,670,128

22 CASH AND DEPOSITS WITH BANKS

	2016 *AED'000*	*2015* *AED'000*
Banking operations		
Cash and deposits with Central Banks (as defined below)		
Cash	**3,076,809**	3,694,925
Interest bearing placements with Central Banks	**895,770**	3,214,873
Murabaha and interest bearing certificates of deposits with Central Banks (see note below)	**23,764,763**	17,671,625
Interest free statutory deposits with Central Banks (see note below)	**29,477,318**	30,393,247
Total (A)	**57,214,660**	54,974,670
Due from other banks		
Overnight, call and short notice	**12,063,360**	15,276,464
Time loans	**45,042,900**	24,584,321
Less: allowance for impairment	**(24,112)**	(24,201)
Total (B)	**57,082,148**	39,836,584
Total (C = A+B)	**114,296,808**	94,811,254
Non-banking operations		
Cash at banks and in hand	**6,749,865**	7,410,459
Short-term deposits	**24,795,250**	32,172,720
Placements with banks and other financial institutions	**793,918**	752,247
Total (D)	**32,339,033**	40,335,426
Total (C+D)	**146,635,841**	135,146,680
Disclosed as follows:		
Non-current assets	**2,128,850**	3,176,279
Current assets	**144,506,991**	131,970,401
	146,635,841	135,146,680

22 CASH AND DEPOSITS WITH BANKS (continued)

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

	2016 *AED'000*	*2015* *AED'000*
Cash and deposits with banks - current	**144,506,991**	131,970,401
Islamic financing and investment products with original maturity of less than three months	**2,727,832**	1,425,618
Due to banks (see note 28)	**(18,856,571)**	(18,822,719)
Bank overdrafts (see note 28)	**(417,442)**	(390,650)
	127,960,810	114,182,650
Due to banks with original maturity of more than three months	**5,819,892**	5,740,788
Deposits with Central Banks for regulatory purposes	**(29,477,318)**	(30,393,247)
Murabaha and interest bearing certificates of deposits with Central Banks with original maturity of more than three months	**(9,217,975)**	(6,300,000)
Due from other banks and deposits with other banks with original maturity of more than three months	**(36,686,996)**	(49,361,246)
	58,398,413	33,868,945

Cash and deposits with banks include reserve requirements maintained by the Bank with the Central Bank of UAE (the "Central Bank") and the various Central banks of countries in which the Bank operates (collectively the "Central Banks"). They are not available for use in the Bank's day to day operations and cannot be withdrawn without the approval of the Central Banks. The level of reserves required changes periodically in accordance with the directives of the Central Banks.

Cash and deposits with banks includes AED 297,321 thousand (2015: AED Nil) due from Government, MOF and other related parties and AED 6,691,812 thousand (2015: AED 8,213,652 thousand) due from associates and joint ventures (see note 37(b)).

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

a) Aircraft held for sale

Subsequent to the year end, DAE entered into purchase and servicing agreements with a third party to sell certain aircraft. Since, as at 31 December 2016, DAE was at an advanced stage of discussion on this matter, the aircraft related assets and liabilities have been classified as held for sale.

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

	2016 *AED'000*
Property, plant and equipment (note 11)	**2,049,440**
Other non-current assets	**63,053**
Deferred tax assets	**1,786**
Assets held for sale	**2,114,279**
Other non-current payables	**563,712**
Deferred tax liabilities	**56,216**
Trade and other payables	**4,554**
Liabilities associated with assets held for sale	**624,482**

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

a) Aircraft held for sale (continued)

The results and cash flows of the discontinued operations included in the Group's consolidated income statement and consolidated cash flow statement for the year are as follows:

	2016 ***AED'000***	*2015* *AED'000*
Revenue	**224,090**	236,736
Other income	**23,994**	6,780
General, administrative and other expenses	**(115,683)**	(132,836)
Other finance costs	**(50,450)**	(56,918)
Profit for the year before income tax from discontinued operations (see note 7)	**81,951**	53,762
Income tax expense	**(9,346)**	(9,632)
Profit for the year from discontinued operations	**72,605**	44,130

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

	2016 ***AED'000***	*2015* *AED'000*
Net cash generated from operating activities	**261,035**	242,270
Net cash used in financing activities	**(178,480)**	(170,693)

b) Standard Aero Inc. ("Standard Aero")

During 2015, DAE sold its stake in Standard Aero to an affiliate of Veritas Capital for a consideration of AED 5,008 million. This resulted in a gain of AED 2,072,717 thousand.

The results and cash flows of the discontinued operations included in the Group's consolidated income statement and consolidated cash flow statement for the year ended 31 December 2015 (until the date of disposal) are set out below:

	2015 *AED'000*
Revenue	3,151,713
Cost of revenues	(2,670,126)
General, administrative and other expenses	(190,990)
Other income	38,966
Other finance costs	(113,275)
Profit for the period before income tax from discontinued operations	216,288
Gain on sale of subsidiary	2,072,717
	2,289,005
Income tax benefit	6,946
Profit for the period from discontinued operations	2,295,951

During 2015, the Group had recognised a provision of AED 199,648 thousand in relation to Standard Aero. During the current year, the management assessed that this provision was no longer necessary. As a result, the provision amounting to AED 199,648 thousand was reversed to the consolidated income statement during the current year.

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

b) Standard Aero Inc. ("Standard Aero") (continued)

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

	2015 *AED'000*
Net cash generated from operating activities	200,695
Net cash used in investing activities	(50,608)
Net cash used in financing activities	(392,711)

c) Al Salwa Investment LLC ("Al Salwa")

As at 31 December 2015, the Group held a 100% equity interest in Al Salwa and classified it as held for sale as the Group was in advanced stage of discussions in relation to Al Salwa's disposal. Assets of disposal group classified as held for sale at 31 December 2015 were as follows:

	AED'000
Investment properties (see note 13)	491,201
Cash and deposits with banks	183
Assets of disposal group classified as held for sale	491,384

This disposal group had no associated liabilities as at 31 December 2015.

During the current year, Al Salwa was sold to one of Group's joint venture. No gain or loss arose as a result of the disposal of Al Salwa.

d) North Sathorn Hotel Company Limited ("North Sathorn")

During the prior year, the Group acquired an 80% ownership stake in North Sathorn for a purchase price of USD 1 million. The acquisition was made with a view to dispose of North Sathorn within a year and accordingly it was classified as an "asset held for sale" as at 31 December 2015. As a part of this acquisition, a shareholder loan with a fair value of AED 82,217 thousand was novated to the Group, without any additional consideration. As a result of this acquisition, AED 131,236 thousand was recognised as gain on bargain purchase in the consolidated income statement for the year ended 31 December 2015 (see note 3). Also effect of re-measurement amounting to AED 5,428 thousand loss was included in "profit for the year from discontinued operations" for the year ended 31 December 2015.

During the current year, the Group entered into an agreement for the sale of its 80% ownership in North Sathorn along with the associated shareholder loan to Asian Capital Co. Ltd, (a joint venture in which the Group is a 50% partner). The consideration for the sale amounted to AED 92,057 thousand which also includes settlement of the outstanding shareholder loan with North Sathorn. As a result of the sale, a loss of AED 48,342 thousand was recorded in the consolidated income statement for the year ended 31 December 2016 as presented below.

	AED'000
Assets of disposal group classified as held for sale	464,407
Liabilities of disposal group classified as held for sale	(321,752)
	142,655
Additional contribution made by the Group during the year	9,831
Non-controlling interests	(12,087)
Net assets on the date of disposal, attributable to the equity holders	**140,399**
Less: consideration received	**(92,057)**
Loss on disposal of discontinued operations (see note 7)	**48,342**

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:

	2016	*2015*
	AED'000	*AED'000*
Balance at the beginning of the year	**65,105,154**	64,582,949
Transfer of freehold land contributed by the Government (note below)	**224,430**	-
Transfer of an entity under common control (note 9)	**-**	522,205
At 31 December	**65,329,584**	65,105,154

This represents capital contribution, in the form of a parcel of land, which has been made by the Government to the Group. The land was transferred at its fair value, using a valuation from an independent qualified appraiser.

25 DISTRIBUTIONS PAID TO THE GOVERNMENT

During the year ended 31 December 2016, distributions totalling AED 6,670,398 thousand (2015: AED 6,858,424 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 2016	2,779,955	2,482,827	9,179,312	17,267	611,296	511,314	11,025	(1,128,859)	(255,642)	14,208,495
Unrealised loss on available-for-sale investments (net)										
- ICD and its subsidiaries	-	-	-	-	(406,388)	-	-	-	-	(406,388)
- Associates and joint ventures	-	-	-	-	(55,193)	-	-	-	-	(55,193)
Unrealised gain / (loss) on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	388,680	-	-	-	-	388,680
- Associates and joint ventures	-	-	-	-	(1,478)	-	-	-	-	(1,478)
Foreign currency translation differences (net)										
- ICD and its subsidiaries	-	-	-	-	-	-	-	(799,935)	-	(799,935)
- Associates and joint ventures	-	-	-	-	-	-	-	(294,065)	-	(294,065)
Reserves transferred to consolidated income statement	-	-	-	-	1,082,848	-	-	(9,503)	-	1,073,345
Total income and expense for the year recognised directly in equity	-	-	-	-	1,008,469	-	-	(1,103,503)	-	(95,034)
Change in Group's ownership in existing subsidiaries	3,335	30,551	-	-	1,662	667	-	(6,371)	3,242	33,086
Transfer on reduction of share capital of an indirect subsidiary	-	(1,256,420)	-	-	-	-	-	-	-	(1,256,420)
Transfer from / (to) retained earnings and non-controlling interests	80,950	(101)	-	-	(4,028)	143,880	2,155	-	-	222,856
Other movements	3	91,458	-	-	(2,108)	-	-	(16)	(137,649)	(48,312)
Total at 31 December 2016	**2,864,243**	**1,348,315**	**9,179,312**	**17,267**	**1,615,291**	**655,861**	**13,180**	**(2,238,749)**	**(390,049)**	**13,064,671**

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 2015	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
Unrealised loss on available-for-sale investments (net)										
- ICD and its subsidiaries	-	-	-	-	(1,155,315)	-	-	-	-	(1,155,315)
- Associates and joint ventures	-	-	-	-	(226,644)	-	-	-	-	(226,644)
Unrealised gain / (loss) on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	(574,520)	-	-	-	-	(574,520)
- Associates and joint ventures	-	-	-	-	5,775	-	-	-	-	5,775
Foreign currency translation differences (net)										
- ICD and its subsidiaries	-	-	-	-	-	-	-	(266,665)	-	(266,665)
- Associates and joint ventures	-	-	-	-	-	-	-	(186,316)	-	(186,316)
Reserves transferred to retained earnings upon change in ownership of an investment	-	-	-	-	(198,377)	-	-	-	-	(198,377)
Reserves transferred to consolidated income statement	-	-	-	-	(91,102)	-	-	(7,931)	-	(99,033)
Total income and expense for the year recognised directly in equity	-	-	-	-	(2,240,183)	-	-	(460,912)	-	(2,701,095)
Change in Group's ownership in an existing subsidiary	-	-	-	-	(1,709)	-	-	-	-	(1,709)
Transfer from / (to) retained earnings and non-controlling interests	400,421	117,534	-	-	(504,623)	197,848	(648)	-	(41,200)	169,332
Upon acquisition of non-controlling interest in an indirect subsidiary	-	422,121	-	-	-	-	-	-	16,795	438,916
Arising on dilution of investment in an indirect associate	-	-	-	-	-	-	-	6,877	158,988	165,865
Upon disposal of an indirect subsidiary	-	-	-	-	4,230	-	-	-	-	4,230
Other movements	(1)	214,952	-	-	(931)	-	-	4,729	(218,785)	(36)
Total at 31 December 2015	2,779,955	2,482,827	9,179,312	17,267	611,296	511,314	11,025	(1,128,859)	(255,642)	14,208,495

26 OTHER RESERVES (continued)

Legal and statutory reserve
In accordance with the Articles of Association of various entities in the Group, and the UAE Federal Law No. (2) of 2015, the entities, as applicable, are required to transfer 10% of their annual profit 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 Federal Law No. (2) of 2015. The transfer of legal and statutory 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
This represents Group's share of reserves capitalised by certain subsidiaries of the Group, this reserve is non-distributable.

Merger reserve
Merger reserve includes amounts relating to:

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

Borse Dubai
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 accounted for using the pooling of interests 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 merger reserve in equity in these consolidated financial statements.

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

Aswaaq LLC
In accordance with the Emiri 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 for a consideration of AED 99,000 thousand. This transaction was a common control transaction and was accounted for under the pooling of interests method. Accordingly, the excess of consideration over the book value of net assets, amounting to AED 91,827 thousand was recognised as merger reserve.

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

Translation reserve
The 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 operations.

Cumulative changes in fair value
Cumulative changes in fair value comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired and the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions.

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:

	2016	*2015*
	AED'000	*AED'000*
Balance at beginning of the year	**3,232,794**	2,697,833
Provision made during the year	**1,215,404**	1,103,564
End of service benefits paid	**(1,026,775)**	(822,757)
Actuarial (gain) / loss on defined benefit plans	**(264,058)**	(31,078)
Arising on transfer of subsidiaries (see note 9)	**-**	66,626
Arising on business combinations	**759**	209,908
Other movements - net	**16,042**	8,698
At 31 December	**3,174,166**	3,232,794
Less: non-current portion	**(3,154,631)**	(3,227,677)
Current portion	**19,535**	5,117

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% (2015: 2% - 5%) per annum and a discount rate of 1.60% - 4.25% (2015: 2.15% - 4.5%) 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:

	2016	*2015*
	AED'000	*AED'000*
Present value of funded defined benefit obligations	**3,220,846**	2,973,785
Less: Fair value of plan assets (see note below)	**(2,900,558)**	(2,650,057)
	320,288	323,728
Present value of unfunded defined benefit obligations	**2,853,878**	2,909,066
Employees' end of service benefits provision (see note above)	**3,174,166**	3,232,794

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

(i) Funded schemes

Senior employees in certain subsidiaries based mainly 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 of 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 a defined percentage 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:

	2016	*2015*
	AED'000	*AED'000*
At the beginning of the year	**2,650,057**	2,236,394
Contributions made	**447,531**	328,998
Arising on business combinations	**-**	271,912
Benefits paid	**(203,588)**	(178,011)
Change in fair value	**35,273**	(15,400)
Proceeds from curtailment of provident fund scheme	**-**	(1,925)
Other movements	**(28,715)**	8,089
At 31 December	**2,900,558**	2,650,057

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 scheme 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

	Notes	***2016*** ***AED'000***	*2015* *AED'000*
<u>**Banking operations**</u>			
Non-current liabilities			
Debts issued and other borrowed funds	28(a)	**29,519,734**	22,164,152
Due to banks (see note 22)	28(b)	**1,754,202**	2,046,826
Bonds (including Sukuk)	28(d)	**5,531,888**	3,672,500
(A)		**36,805,824**	27,883,478

28 BORROWINGS AND LEASE LIABILITIES (continued)

	Notes	*2016* *AED'000*	*2015* *AED'000*
Banking operations (continued)			
Current liabilities			
Debts issued and other borrowed funds	28(a)	**9,176,000**	9,123,190
Due to banks (see note 22)	28(b)	**17,102,369**	16,775,893
Bonds (including Sukuk)	28(d)	**1,836,250**	-
(B)		**28,114,619**	25,899,083
Total (A+B)		**64,920,443**	53,782,561
Non-banking operations			
Non-current liabilities			
Bank borrowings	28(c)	**32,440,369**	28,885,040
Bonds (including Sukuk)	28(d)	**9,372,137**	9,976,055
Finance lease liabilities	28(e)	**37,547,117**	34,840,665
Loan from Government, MOF and other related parties	28(c)	**9,422,417**	284,309
Loans from associates and joint ventures	28(c)	**8,387,462**	9,575,150
(C)		**97,169,502**	83,561,219
Current liabilities			
Bank borrowings	28(c)	**13,176,140**	11,313,951
Bonds (including Sukuk)	28(d)	**5,500,821**	9,903,805
Finance lease liabilities	28(e)	**4,876,732**	4,280,375
Loans from Government, MOF and other related parties	28(c)	**800,000**	9,987,500
Loans from associates and joint ventures	28(c)	**2,345,167**	1,583,810
Bank overdrafts (see note 22)		**417,442**	390,650
(D)		**27,116,302**	37,460,091
Total (C+D)		**124,285,804**	121,021,310
Disclosed as follows:			
Non-current liabilities (A+C)		**133,975,326**	111,444,697
Current liabilities (B+D)		**55,230,921**	63,359,174
Total borrowings and lease liabilities		**189,206,247**	174,803,871

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

a) Debts issued and other borrowed funds

	2016 *AED'000*	*2015* *AED'000*
Medium-term note programme *	**31,139,525**	26,067,612
Term loans from banks	**6,243,250**	2,938,000
Borrowing raised from loan securitisations (see note 21)	**1,312,959**	2,281,730
	38,695,734	31,287,342

*Includes Tier 2 notes amounting to AED 3,752 million (2015: AED 4,341 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:

	2016 AED in millions	*2015 AED in millions*
2016	**-**	9,123
2017	**9,176**	5,261
2018	**1,826**	1,199
2019	**12,666**	5,173
2020	**4,745**	1,596
2021	**1,358**	-
2022	**4,027**	4,552
2023	**3,642**	3,605
2024	**1,065**	583
2025	**114**	115
2026	**77**	80
	38,696	31,287

The interest rate paid on the above averaged 3.1% per annum for the year ended 31 December 2016 (2015: 3.1% per annum).

b) Due to banks

	2016 AED'000	*2015 AED'000*
Demand and call deposits	**1,164,273**	950,866
Balances with correspondent banks	**1,949,580**	1,881,510
Time and other deposits	**15,742,718**	15,990,343
	18,856,571	18,822,719

The interest rates paid on the above averaged 1.2% per annum for the year ended 31 December 2016 (2015: 1.3% per annum).

28 BORROWINGS AND LEASE LIABILITIES (continued)

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties

Included under these categories are:

- Murabaha syndicated facilities amounting to AED 1,744,975 thousand (2015: AED 1,744,975 thousand) repayable in 2018 and carrying a margin over EIBOR and LIBOR.

- Conventional syndicated facilities amounting to AED 5,602,775 thousand (2015: AED 5,602,775 thousand) repayable in 2018 and carrying a margin over EIBOR and LIBOR.

- Ijara syndicated facilities amounting to AED 1,285,550 thousand (2015: AED 1,285,550 thousand) repayable in 2018 and carrying a margin over EIBOR.

- Bilateral facilities amounting to AED 2,572,200 thousand (2015: AED 2,572,200 thousand) repayable over the period up to 2021 and carrying a margin over EIBOR and LIBOR.

- Ijara bilateral facility of AED 857,034 thousand were repaid in 2016, which carried a margin over EIBOR.

- Secured borrowing facilities amounting to AED 15,252,698 thousand (2015: AED 13,768,796 thousand) repayable over the period up to 2024 and carrying a margin over EIBOR and LIBOR.

- Murabaha and credit facility amounting to AED 3,368,923 thousand (2015: AED 3,152,602 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR.

- Term loan facilities amounting to AED 10,348,547 thousand (2015: AED 9,621,521 thousand) repayable from 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 facilities consist of AED 8,288,434 thousand (2015: AED 7,526,769 thousand) carrying a fixed rate of interest and AED 2,060,113 thousand (2015: AED 2,143,752 thousand) carrying a margin over LIBOR.

- Syndicated facilities amounting to AED 3,313,461 thousand, repayable over the period up to 2020 (2015: AED 4,288,584 thousand, repayable over the period up to 2019) and carrying a margin over EIBOR and LIBOR.

- Term loan facility from the MOF of AED 9,187,500 thousand (2015: AED 9,187,500 thousand), repayable in 2020 and carries a margin over EIBOR.

- Term loan facility of AED 587,277 thousand repayable over the period up to 2031 (2015: AED 328,252 thousand repayable up to 2026) and carrying a margin over LIBOR.

- Syndicated and term loan facility of AED 5,791,986 thousand (2015: AED 2,144,729 thousand), repayable over the period up to 2026 and carrying a margin over EIBOR and LIBOR.

28 BORROWINGS AND LEASE LIABILITIES (continued)

c) Borrowings from banks, Government, MOF, associates, joint ventures and other related parties (continued)

- Wakala deposit of AED 800,000 thousand from Department of Finance of the Government is outstanding as at the reporting date (2015: AED 800,000 thousand). This wakala deposit carries a fixed rate of profit and has matured during the year ended 31 December 2016. Subsequent to the year ended 31 December 2016, Wakala deposit agreement has been amended to extend the maturity date to 31 December 2017 including an option to extend the tenor for up to two additional one year periods after 31 December 2017.

- Murabaha facility of AED 3,528,000 thousand (2015: AED 3,528,000 thousand) repayable over the period up to 2021 and carrying a margin over LIBOR.

- Murabaha facility of AED 750,000 thousand (2015: AED 304,859 thousand) repayable in 2021 and carrying a margin over EIBOR.

- Mudaraba facility of AED 679,875 thousand (2015: AED 679,875 thousand) repayable in 2021 and carrying a fixed rate of profit.

- Term loan facility of AED 648,876 thousand (2015: AED 603,788 thousand) repayable in 2017 and carrying a margin over LIBOR.

- Syndicated loan facility of AED 198,001 thousand (2015: AED 362,500 thousand representing a term loan was repaid in full during the current year) repayable over the period up to 2026 and carrying a margin over EIBOR.

The effective interest rate paid on the above averaged 3.3% per annum for the current year (2015: 3.0% per annum). These loans are mainly denominated in AED and USD.

d) Bonds (including Sukuk)

	2016 ***AED'000***	*2015* *AED'000*
These are denominated in the following currencies:		
US Dollars (refer (i))	**17,371,533**	17,959,238
UAE Dirhams (refer (ii))	**4,895,266**	5,237,699
Singapore Dollars (refer (iii))	**-**	389,667
	22,266,799	23,586,604
Less: transaction costs	**(25,703)**	(34,244)
	22,241,096	23,552,360

These bonds (including sukuk) have been issued at fixed coupon rates varying from 3.2% to 4.6% (2015: 3.5% to 5.1%)

i) US Dollar bonds with face value of USD 4,200,000 thousand (2015: USD 3,200,000 thousand) and USD 1,050,000 thousand (2015: USD 2,050,000 thousand) are of Islamic (sukuk) and conventional formats respectively. These bonds are repayable either semi-annually or as a bullet payment upon their relevant maturities over the period up to 2025.

ii) UAE Dirham bonds amounting to AED 4,895,266 thousand (2015: AED 5,237,699 thousand) payable to bond holders of one of the subsidiaries of the Group, which is a Shari'a compliant open ended investment fund and are repayable on demand of the bond holders.

iii) Singapore Dollar bonds amounting to AED 389,677 thousand were repaid in 2016 upon its maturity.

28 BORROWINGS AND LEASE LIABILITIES (continued)

e) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future lease payments AED'000	***Interest and term deposit component AED'000***	***Present value of minimum lease payments AED'000***
31 December 2016:			
Less than one year	**6,105,664**	**(1,228,593)**	**4,877,071**
Between one and five years	**26,654,187**	**(3,398,832)**	**23,255,355**
More than five years	**15,807,971**	**(1,516,549)**	**14,291,422**
	48,567,822	**(6,143,974)**	**42,423,848**

	Future lease payments AED'000	*Interest and term deposit component AED'000*	*Present value of minimum lease payments AED'000*
31 December 2015:			
Less than one year	5,355,950	(1,075,575)	4,280,375
Between one and five years	22,180,317	(3,750,088)	18,430,229
More than five years	18,178,719	(1,768,283)	16,410,436
	45,714,986	(6,593,946)	39,121,040

The carrying value of net lease liabilities approximate to their fair vales. 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 fair value of lease liabilities falls into level 2 of the fair value hierarchy.

The effective interest rate on finance lease liabilities for the current year was 2.6% (2015: 2.5%).

f) 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;
- A letter of support or corporate guarantee by various Group entities in respect of certain borrowings obtained by other Group entities; and
- 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 together with 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 of the credit risk.

2016

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts*		
			Total AED'000	*<1year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	713,573	(733,496)	155,735,066	140,896,205	14,838,861
Foreign exchange options	63,621	(63,621)	33,114,165	11,776,940	21,337,225
Interest rate swaps / caps	2,291,500	(1,605,753)	219,641,514	66,527,770	153,113,744
Commodity options	12,818	(12,819)	1,097,002	233,130	863,872
	3,081,512	**(2,415,689)**	**409,587,747**	**219,434,045**	**190,153,702**
Derivatives held as cash flow hedges:					
Interest rate swaps	**69,027**	**(31,573)**	**8,532,333**	**1,634,145**	**6,898,188**
Derivatives held as fair value hedges:					
Interest rate swaps	**3,433**	**(377,446)**	**3,191,316**	**110,175**	**3,081,141**
(A)	**3,153,972**	**(2,824,708)**	**421,311,396**	**221,178,365**	**200,133,031**
Non-banking operations					
Derivatives held for trading:					
Debt equity swaps (see note 10 (j))	190,203	-	190,203	2,396	187,807
Commodity contracts swaps and futures	70,490	(469,268)	18,542,312	-	18,542,312
	260,693	**(469,268)**	**18,732,515**	**2,396**	**18,730,119**
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	94,722	(14,485)	2,373,420	2,373,420	-
Commodity forward contracts	10,221	(1,275)	91,715	91,715	-
Interest rate swaps	-	(245,422)	9,252,458	261,520	8,990,938
	104,943	**(261,182)**	**11,717,593**	**2,726,655**	**8,990,938**
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	**-**	**(4,077)**	**835,147**	**94,098**	**741,049**
(B)	**365,636**	**(734,527)**	**31,285,255**	**2,823,149**	**28,462,106**
Total (A+B)	**3,519,608**	**(3,559,235)**	**452,596,651**	**224,001,514**	**228,595,137**

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

2015

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts* Total AED'000	*Notional amounts* <1year AED'000	*Notional amounts* >1 year AED'000
<u>Banking operations</u>					
Derivatives held for trading:					
Foreign exchange forward contracts	450,755	(476,605)	193,848,721	180,765,416	13,083,305
Foreign exchange options	649,022	(649,022)	61,188,538	7,944,634	53,243,904
Interest rate swaps / caps	1,482,289	(1,010,647)	151,180,913	31,242,530	119,938,383
Commodity options	35,685	(35,684)	298,700	40,099	258,601
	2,617,751	(2,171,958)	406,516,872	219,992,679	186,524,193
Derivatives held as cash flow hedges:					
Interest rate swaps	51,110	(47,142)	6,148,631	300,000	5,848,631
Derivatives held as fair value hedges:					
Interest rate swaps	218	(391,105)	2,980,844	77,854	2,902,990
(A)	2,669,079	(2,610,205)	415,646,347	220,370,533	195,275,814
<u>Non-banking operations</u>					
Derivatives held for trading:					
Debt equity swaps (see note 10 (j))	329,497	-	337,549	140,113	197,436
Commodity contracts swaps and futures	351,025	(27,452)	14,032,157	-	14,032,157
	680,522	(27,452)	14,369,706	140,113	14,229,593
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	184,734	(1,334)	5,854,489	3,585,534	2,268,955
Commodity forward contracts	-	(967,178)	2,204,414	2,087,136	117,278
Interest rate swaps	71	(414,773)	10,372,482	14,769	10,357,713
	184,805	(1,383,285)	18,431,385	5,687,439	12,743,946
Derivatives held as fair value hedges:					
Forward foreign exchange contracts	-	(1,602)	929,245	94,098	835,147
(B)	865,327	(1,412,339)	33,730,336	5,921,650	27,808,686
Total (A+B)	3,534,406	(4,022,544)	449,376,683	226,292,183	223,084,500

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Disclosed as follows:

Positive fair value of derivatives:

	2016 AED'000	*2015 AED'000*
Non-current assets	**1,705,296**	2,410,954
Current assets	**1,814,312**	1,123,452
Total	**3,519,608**	3,534,406

Negative fair value of derivatives:

	2016 AED'000	*2015 AED'000*
Non-current liabilities	**(1,921,510)**	(2,570,526)
Current liabilities	**(1,637,725)**	(1,452,018)
Total	**(3,559,235)**	(4,022,544)
Net fair value of derivatives (see note 16)	**(39,627)**	(488,138)

30 OTHER NON-CURRENT PAYABLES

	2016 AED'000	*2015 AED'000*
Deferred revenue	**2,088,597**	1,992,266
Provision for maintenance	**2,696,654**	2,713,143
Deferred credits (non-current portion)	**2,228,880**	598,028
Retention payable (non-current portion)	**635,702**	542,082
Maintenance reserve (see note 36 (b))	**660,625**	997,388
Provision for construction warranty	**139,940**	154,141
Rehabilitation liabilities (see note 10(j))	**208,832**	218,089
Amounts due to Government, MOF and other related parties (see note 37(b))	**28,114**	149,609
Other provisions	**121,277**	140,294
Cylinder replacement costs	**18,665**	22,197
Others	**510,386**	795,976
	9,337,672	8,323,213

31 TRADE AND OTHER PAYABLES

	2016 AED'000	*2015 AED'000*
Trade payables	**22,628,489**	42,145,140
Passenger and cargo sales in advance	**10,998,422**	10,257,399
Accrued interest / profit payable	**1,867,091**	1,089,587
Advance from customers	**1,444,629**	1,003,058
Amounts due to associates and joint ventures (see note 37(b))	**607,767**	458,428
Amounts due to Government, MOF and other related parties (see note 37(b))	**394,027**	664,095
Managers' cheques	**1,164,080**	1,476,011
Abandonment and decommissioning liability	**-**	2,561,119
Deferred revenue	**2,326,994**	2,354,401
Deferred credits (current portion)	**252,785**	83,274
Rehabilitation liabilities (see note 10(j))	**6,284**	154,633
Excess billings from construction contracts	**194,183**	244,740
Members' margin deposit	**24,380**	27,959
Investor cards	**184,717**	156,239
Dividend payable on behalf of companies listed on the stock exchange	**261,638**	156,570
Retention payable (current portion)	**89,847**	64,706
Provision for maintenance	**516,121**	318,979
Other payables, accruals and other provisions	**8,620,131**	7,208,444
	51,581,585	70,424,782

32 CUSTOMER DEPOSITS

	2016 AED'000	*2015 AED'000*
Time	**105,566,392**	81,258,184
Demand, call and short notice	**106,772,979**	90,702,372
Savings	**24,082,248**	23,240,420
Others	**6,721,190**	6,216,674
	243,142,809	201,417,650
Disclosed as follows:		
Non-current liabilities	**7,122,580**	3,563,547
Current liabilities	**236,020,229**	197,854,103
	243,142,809	201,417,650

The interest rates paid on the above deposits averaged 1.09% per annum for the current year (2015: 0.7% per annum).

Customer deposits include AED 2,356,193 thousand (2015: AED 3,828,527 thousand) deposits from Government, MOF and other related parties and AED 238,662 thousand (2015: AED 195,222 thousand) deposits from associates and joint ventures (see note 37(b)).

33 ISLAMIC CUSTOMER DEPOSITS

	2016 AED'000	*2015 AED'000*
Time	**27,733,532**	36,808,372
Demand, call and short notice	**13,313,589**	10,060,781
Savings	**10,223,609**	9,066,927
Others	**464,079**	343,371
	51,734,809	56,279,451
Disclosed as follows:		
Non-current liabilities	**17,704,848**	16,323,653
Current liabilities	**34,029,961**	39,955,798
	51,734,809	56,279,451

34 REPURCHASE AGREEMENTS WITH BANKS

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

	2016 AED'000	*2015 AED'000*
Available-for-sale investment securities (see note 16)	**45,906**	248,334
Disclosed as follows:		
Non-current liabilities	**44,024**	248,334
Current liabilities	**1,882**	-
	45,906	248,334

35 NON-CONTROLLING INTERESTS

35.1 Non-controlling interests includes three series of regulatory Tier 1 Capital notes ("Capital Notes") issued in 2009 ("2009 Notes"), 2013 ("2013 Notes") and 2014 ("2014 Notes") by the Bank 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. The 2009 Notes were issued at a fixed interest rate for the first five years and on a floating rate basis thereafter. The 2013 Notes and 2014 Notes were issued at a 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 as "non-controlling interests".

35.2 During 2015, one of the Group's subsidiaries acquired the remaining non-controlling interests in Dragon Oil PLC, and now wholly owns Dragon Oil PLC. The resulting increase in the Group's shareholding in Dragon Oil PLC decreased the carrying amount of the "non-controlling interests" and "the equity attributable to the equity holders of ICD" by AED 6,435,090 thousand and AED 4,308,658 thousand respectively in the consolidated statement of changes in equity, by recognising the amount of consideration paid in the consolidated statement of changes in equity of AED 10,743,748 thousand.

Subsequently, in 2016, Dragon Oil plc was acquired by its immediate subsidiary Dragon Oil (Holdings) Limited. Upon acquisition, Dragon Oil plc was dissolved without going into liquidation.

36 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

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

	2016 AED'000	*2015 AED'000*
Available-for-sale investments	**1,026,623**	1,019,398
Group's share of investment commitments of joint ventures	**37,402**	-
	1,064,025	1,019,398

(b) Operating lease commitments

Group as lessee

	2016 AED'000	*2015 AED'000*
Within one year	**11,309,630**	9,200,142
After one year but not more than five years	**38,026,726**	29,276,425
More than five years	**35,602,288**	22,640,966
	84,938,644	61,117,533

Group as lessor

	2016 AED'000	*2015 AED'000*
Within one year	**2,334,287**	2,262,040
After one year but not more than five years	**5,048,244**	4,182,778
More than five years	**3,014,652**	2,351,523
	10,397,183	8,796,341

One of the Group's subsidiaries enters into non-cancellable operating leases (as lessor) for aircraft to various operators for lease terms of up to 18 years (2015: 17 years).

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 are 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:

	2016 *AED'000*	*2015* *AED'000*
Capital commitments for the purchase of aircraft are as follows:		
Within one year	**23,134,388**	31,273,610
After one year but not more than five years	**74,391,942**	80,870,399
More than five years	**151,965,485**	165,649,005
	249,491,815	277,793,014
Contracted commitment in relation to other non-financial assets	**14,099,071**	9,745,824
Group's share of associates' and joint ventures' capital expenditure commitments	**7,524,086**	7,918,558
	271,114,972	295,457,396

(d) Assets held in a fiduciary capacity

The Group's financial services subsidiaries hold assets in a fiduciary capacity and provide custodian services for some of their 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:

	2016 *AED'000*	*2015* *AED'000*
Letters of credit	**11,439,263**	12,331,593
Letters of guarantee	**49,683,033**	47,696,470
Liabilities on risk participation	**256,183**	498,516
Performance bonds	**283,772**	277,003
Group's share of guarantees issued by associates and joint ventures	**7,286,912**	5,809,426
Group's share of letters of credit issued by associates and joint ventures	**1,037,669**	1,378,594
Third party claims*	**450,011**	1,873,458

* There are various claims against the subsidiaries and equity accounted investees 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 entities 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.

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(f) Operational commitments

Certain of the Group's subsidiaries have operational commitments relating to sales and marketing as at 31 December 2016 amounting to AED 2,348,165 thousand (2015: AED 2,519,903 thousand).

(g) Irrevocable loan commitments

The Bank has irrevocable undrawn loan commitments of AED 39,373,032 thousand outstanding at 31 December 2016 (2015: AED 35,411,284 thousand).

37 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent owner, 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.

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

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

	Purchase of goods and services (including cost of revenue) AED'000	*Sale of goods and services (including revenue) AED'000*	*Other finance income AED'000 (see note 5)*	*Other finance costs AED'000 (see note 6)*	*Other income / (expenses) - net AED'000*
Year ended 31 December 2016:					
Associates and joint ventures	**3,046,256**	**2,932,640**	**376,471**	**318,621**	**1,709**
Government, MOF and other related parties	**52,295**	**680,448**	**529,293**	**155,466**	**10,656**
Year ended 31 December 2015:					
Associates and joint ventures	3,132,392	4,418,216	277,028	271,010	1,826
Government, MOF and other related parties	365,509	693,217	446,165	527,367	3,886

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.

37 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Significant amounts due from and due to related parties are disclosed in notes 17, 19, 20, 21, 22, 28, 30, 31 and 32, further details of which are as follows:

	2016		*2015*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**22,552,759**	**11,579,058**	25,877,577	11,812,610
Government, MOF and other related parties	**146,492,981***	**13,000,751**	144,047,309*	14,914,040
	169,045,740	**24,579,809**	169,924,886	26,726,650

* This includes an amount of AED 130,578,874 thousand (2015: AED 120,747,984 thousand), which represents loan and receivables provided by the Bank to the Government.

i) During the current year, a subsidiary of the Group received land (classified as investment property) in settlement of the outstanding receivable of AED 5.6 billion from a related party (see note 13).

ii) Impairment provisions of AED 170,700 thousand (2015: AED 154,174 thousand) and AED 62,528 thousand (2015: AED 72,159 thousand) have 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.

iii) Investment in marketable securities includes balances of AED 272,064 thousand (2015: AED 296,715 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:

	2016 AED'000	*2015 AED'000*
Short term benefits	**461,580**	426,870
End of service benefits	**25,716**	23,870
Share based payments	**-**	17,232
Directors' fees	**28,704**	23,843
Management fees charged by managers	**7,631**	7,932
	523,631	499,747

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 2016:

	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 (see note 16)	2,399,032	1,909,261	19,829,572	-	-	-	24,137,865
Islamic financing and investment products (see note 20)	-	-	-	61,157,886	-	-	61,157,886
Loans and receivables (see note 21)	-	-	-	238,402,158	-	-	238,402,158
Other non-current assets	-	-	-	17,310,238	-	-	17,310,238
Trade and other receivables	-	-	-	27,022,996	-	-	27,022,996
Customer acceptances	-	-	-	6,941,585	-	-	6,941,585
Cash and deposits with banks (see note 22)	-	-	-	146,635,841	-	-	146,635,841
Derivative financial assets							
Positive fair value of derivatives (see note 29)	-	-	-	-	-	3,519,608	3,519,608
	2,399,032	**1,909,261**	**19,829,572**	**497,470,704**	**-**	**3,519,608**	**525,128,177**
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 32)	-	-	-	-	243,142,809	-	243,142,809
Islamic customer deposits (see note 33)	-	-	-	-	51,734,809	-	51,734,809
Borrowings and lease liabilities (see note 28)	-	-	-	-	189,206,247	-	189,206,247
Other non-current payables	-	-	-	-	1,671,863	-	1,671,863
Customer acceptances	-	-	-	-	6,941,585	-	6,941,585
Repurchase agreements with banks (see note 34)	-	-	-	-	45,906	-	45,906
Trade and other payables	-	-	-	-	35,915,987	-	35,915,987
Derivative financial liabilities							
Negative fair value of derivatives (see note 29)	-	-	-	-	-	3,559,235	3,559,235
	-	**-**	**-**	**-**	**528,659,206**	**3,559,235**	**532,218,441**

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

38 FINANCIAL RISK MANAGEMENT (continued)

31 December 2015:

	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 (see note 16)	2,519,410	1,164,494	23,164,932	-	-	-	26,848,836
Islamic financing and investment products (see note 20)	-	-	-	58,522,458	-	-	58,522,458
Loans and receivables (see note 21)	-	-	-	222,913,033	-	-	222,913,033
Other non-current assets	-	-	-	20,369,497	-	-	20,369,497
Trade and other receivables	-	-	-	24,829,853	-	-	24,829,853
Customer acceptances	-	-	-	3,712,749	-	-	3,712,749
Cash and deposits with banks (see note 22)	-	-	-	135,146,680	-	-	135,146,680
Derivative financial assets							
Positive fair value of derivatives (see note 29)	-	-	-	-	-	3,534,406	3,534,406
	2,519,410	1,164,494	23,164,932	465,494,270	-	3,534,406	495,877,512
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 32)	-	-	-	-	201,417,650	-	201,417,650
Islamic customer deposits (see note 33)	-	-	-	-	56,279,451	-	56,279,451
Borrowings and lease liabilities (see note 28)	-	-	-	-	174,803,871	-	174,803,871
Other non-current payables	-	-	-	-	1,805,474	-	1,805,474
Customer acceptances	-	-	-	-	3,712,749	-	3,712,749
Repurchase agreements with banks (see note 34)	-	-	-	-	248,334	-	248,334
Trade and other payables	-	-	-	-	55,692,207	-	55,692,207
Derivative financial liabilities							
Negative fair value of derivatives (see note 29)	-	-	-	-	-	4,022,544	4,022,544
	-	-	-	-	493,959,736	4,022,544	497,982,280

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

38 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework:
The identification, measurement, aggregation and effective management of risk takes into account the complexity in the Group's business operations and diversity of geographical locations. 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 within 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.
- Ensuring that all employees within the Group entities are sufficiently trained and have access to appropriate tools to ensure risk-taking is controlled and is in line with associated risk appetite.
- Risk taking is within approved authorities considering infrastructure and resource across geographies giving consideration to strict compliance with applicable regulatory requirements.
- Appropriate controls are designed and implemented with adequate reporting in place to monitor their ongoing effectiveness to safeguard the Group's interests.

The risk management function of Group's entities assists senior management of those entities 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 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.

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.

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, other non-current assets 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's banking operations. 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 Bank'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 Bank 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:

	2016 ***AED'000***	*2015* *AED'000*
Investments in marketable securities	**16,239,195**	18,120,853
Other non-current assets (including due from related parties)	**17,310,238**	20,369,497
Positive fair value of derivatives	**3,519,608**	3,534,406
Islamic financing and investment products	**61,157,886**	58,522,458
Loans and receivables	**238,402,158**	222,913,033
Trade and other receivables (including due from related parties)	**27,022,996**	24,829,853
Customer acceptances	**6,941,585**	3,712,749
Deposits with banks (including due from banks)	**143,348,204**	131,295,509
	513,941,870	483,298,358

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.

	2016 ***AED'000***	*2015* *AED'000*
Letters of credit	**11,439,263**	12,331,593
Letters of guarantee	**49,683,033**	47,696,470
Liabilities on risk participation	**256,183**	498,516
Performance bonds	**283,772**	277,003
Group's share of guarantees issued by associates and joint ventures	**7,286,912**	5,809,426
Group's share of letters of credit issued by associates and joint ventures	**1,037,669**	1,378,954
Irrevocable undrawn loan commitments	**39,373,032**	35,411,284
	109,359,864	103,403,246

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 follows:

31 December 2016

	Gross ***AED'000***	***Impairment*** ***AED'000***
Neither past due nor impaired	**316,635,957**	**-**
Past due but not impaired		
Past due 1 – 90 days	**24,843,950**	**-**
Past due 91 – 365 days	**1,282,245**	**-**
Past due and impaired	**22,071,576**	**19,060,578**
Collective provision	**-**	**7,019,697**
Total	**364,833,728**	**26,080,275**

31 December 2015

	Gross *AED'000*	*Impairment* *AED'000*
Neither past due nor impaired	315,204,175	-
Past due but not impaired		
Past due 1 – 90 days	9,617,833	-
Past due 91 – 365 days	1,369,542	-
Past due and impaired	22,756,740	18,937,498
Collective provision	-	6,070,344
Total	348,948,290	25,007,842

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 is disclosed in notes 17, 19, 20 and 21 respectively.

38.2 Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due, or that it can only do so at excessive cost. 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 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 2016				
Customer deposits	**243,142,809**	**245,320,132**	**237,439,933**	**7,880,199**
Islamic customer deposits	**51,734,809**	**52,606,181**	**34,358,319**	**18,247,862**
Borrowings and lease liabilities	**189,206,247**	**209,082,394**	**58,311,065**	**150,771,329**
Other non-current payables	**1,671,863**	**1,671,863**	**-**	**1,671,863**
Customer acceptances	**6,941,585**	**6,941,585**	**6,941,585**	**-**
Repurchase agreements with banks	**45,906**	**45,906**	**1,882**	**44,024**
Trade and other payables	**35,915,987**	**35,982,314**	**34,825,009**	**1,157,305**
Negative fair value of derivatives	**3,559,235**	**3,602,270**	**1,756,547**	**1,845,723**
Total	**532,218,441**	**555,252,645**	**373,634,340**	**181,618,305**

38 FINANCIAL RISK MANAGEMENT (continued)

38.2 Liquidity risk (continued)

Financial liabilities (continued)	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2015				
Customer deposits	201,417,650	202,118,234	198,381,664	3,736,570
Islamic customer deposits	56,279,451	56,629,635	40,253,973	16,375,662
Borrowings and lease liabilities	174,803,871	194,031,298	57,694,319	136,336,979
Other non-current payables	1,805,474	1,828,135	-	1,828,135
Customer acceptances	3,712,749	3,712,749	3,712,749	-
Repurchase agreements with banks	248,334	248,334	248,334	-
Trade and other payables	55,692,207	55,692,207	55,527,417	164,790
Negative fair value of derivatives	4,022,544	4,341,075	1,932,999	2,408,076
Total	497,982,280	518,601,667	357,751,455	160,850,212

The Group is also exposed to liquidity risk in respect of those contingencies and commitments as are disclosed in notes 36 (a), (b), (c), (e), (f) and (g).

38.3 Market risk

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

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 better capture the multi-dimensional aspects of market risk, the Bank's primary market risk metric is a statistical one, Value-at-Risk ("VaR"), which is used for short-term risk holding periods. VaR metrics are calculated daily for the specific asset classes listed below, plus a total VaR figure for the whole Trading Book:

- Interest rate VaR
- Foreign exchange VaR
- Total VaR

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

- Confidence level: 99%
- Holding period: 1 business day
- Methodology: Full Revaluation, Historical Simulation using over 2 years of historical market 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 2016				
Interest rate risk	**3,695**	**8,965**	**2,390**	**2,532**
Foreign exchange risk	**8,039**	**15,855**	**3,005**	**3,232**
Credit trading risk	**1,096**	**3,330**	**125**	**379**
Total	**8,564**	**15,536**	**3,204**	**3,454**

By Asset class Trading	*Average AED'000*	*Maximum AED'000*	*Minimum AED'000*	*Actual * AED'000*
31 December 2015				
Interest rate risk	3,950	6,252	2,320	4,648
Foreign exchange risk	7,747	13,349	3,812	4,038
Credit trading risk	1,791	6,822	299	1,807
Total	9,082	14,144	5,188	7,142

* 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 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 while protecting the invested capital 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 equity prices would have increased the fair value of quoted securities by AED 300,686 thousand (2015: AED 332,346 thousand); an equal change in the opposite direction would have decreased the fair value of quoted securities by AED 300,686 thousand (2015: AED 332,346 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 2016		
Effect of changes in quoted equity portfolio of the Group	**12,734**	**300,442**
31 December 2015		
Effect of changes in quoted equity portfolio of the Group	16,589	332,346

38 FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.2 Commodity price risk

The Group is exposed to commodity price risk mainly on the volatility of oil prices (including jet fuel). The Group manages its exposure to changes in oil prices, and, in doing so, may use commodity derivative instruments (i.e. commodity futures, swaps and options), thereby seeking to minimise the potential adverse effects on the Group's financial performance.

Commodity price risk – sensitivity analysis
An increase of 5% in oil prices relating to commodity derivative contracts would have increased / (decreased) equity and profit respectively by the amounts shown below. This analysis assumes that all other variables remain constant. An equivalent decrease of the same magnitude would have an equal but opposite effect.

Commodities

	Equity AED'000	***Profit AED'000***
31 December 2016		
Oil prices	**95,822**	**95,822**

	Equity AED'000	*Profit AED'000*
31 December 2015		
Oil prices	488,076	261,218

At the reporting date, if the market price of crude oil had been AED 36.75 (USD 10) per barrel higher/lower, the crude oil overlift payable would have been higher/lower by AED 103.64 million (USD 28.2 million) (2015: AED 134.87 million (USD 36.7 million)).

38.3.3 Interest / profit rate risk

The Group is exposed to interest / profit rate risk due to interest rate / profit fluctuations 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 interest rate swap contracts. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates or conversely. Details of interest rate swap contracts (including the nominal values, and the maturity of contracts fair values) are disclosed in Note 29.

Banking operations
The Bank measures, monitors and manages the interest rate risk in its banking book, and its key components 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 the 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 behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand such as current accounts.

38 FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.3 Interest / profit rate risk (continued)

Banking operations (continued)
In order to manage this risk optimally, IRRBB in non-trading portfolios is transferred to treasury 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 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 interest 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 2016		*31 December 2015*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**11,451,778**	**2,188,434**	10,367,020	1,347,152
Base Case	**9,263,344**	**-**	9,019,868	-
Rates Down 200 bp	**8,022,562**	**(1,240,782)**	8,085,672	(934,196)

The interest rate sensitivities set out in the table above are based on a set of 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. The projections also make the assumption that all positions run to maturity. 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.

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 and monitored on a monthly basis by the ALM Function of the Bank, and reported to the Bank's ALCO.

Non-banking operations
The table below shows the effect on the consolidated income statement and consolidated statement of changes in equity, of an increase of 100 basis points in interest/profit rate relating to the interest/profit bearing financial assets/liabilities of non-banking operations of the Group, which are "floating" in nature, at the reporting date. The analysis below excludes interest capitalised and assumes that all other variables remain constant. An equivalent decrease of the same would have an equal but opposite effect accordingly.

	31 December 2016 Effect on		*31 December 2015 Effect on*	
	profit AED'000	***equity AED'000***	*profit AED'000*	*equity AED'000*
100 bp increase in rates	**(445,026)**	**(249,242)**	80,513	(183,307)

38.3.4 Currency risk

Banking operations
The Bank 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 such as USD.

38 FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.4 Currency risk (continued)

Non-banking operations
The Group is exposed to currency risk on certain transactions and balances that are denominated in a currency other than the functional currency of the Group (i.e. AED). In practice, in respect of monetary assets and liabilities denominated in USD, there is no exchange risk involved since AED is pegged to USD. Foreign currencies, other than USD, in which significant transactions and balances are denominated, are Sterling Pound ("GBP"), EURO and Nigerian Naira ("NGN"). The Group closely monitors exchange rate movements and the related impact on financial assets and financial liabilities, and proactively manages its currency exposure.

The following exchange rates were applied during the current year for the main foreign currencies relevant to the Group's non-banking activities:

31 December 2016	***Average rate AED***	***Reporting rate (spot rate) AED***
GBP	**4.99**	**4.54**
EURO	**4.07**	**3.86**
NGN	**0.02**	**0.01**

31 December 2015	*Average rate AED*	*Reporting rate (spot rate) AED*
GBP	5.61	5.45
EURO	4.08	4.01
NGN	0.02	0.02

Currency rate risk - sensitivity analysis
A 10 percent increase in the AED against the various currencies presented above that the Group considers significant on the basis of the exposure as 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 and quoted prices, remain constant.

31 December 2016	***Effect on equity AED'000***	***Effect on profit AED'000***
GBP	**(16,789)**	**(24,767)**
EURO	**3,353**	**(2,304)**
NGN	**(49,438)**	**(49,438)**
INR	**(7,784)**	**(7,784)**

38 FINANCIAL RISK MANAGEMENT (continued)

38.3 Market risk (continued)

38.3.4 Currency risk (continued)

Currency rate risk - sensitivity analysis (continued)

31 December 2015	*Effect on equity AED'000*	*Effect on profit AED'000*
SGD	38,944	38,970
GBP	64,546	(14,080)
EURO	223,042	(23,706)
NGN	(38,224)	-
INR	-	20,608

38.4 Capital management

38.4.1 Capital management (banking operations)

The Central Bank of the UAE supervises the Bank 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).

<u>Minimum Capital Requirements</u>
Per current capital requirements, the Central Bank 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, Tier 1 capital notes, share premium, legal, statutory and other reserves, retained earnings, non-controlling interests 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 Bank is compliant with the Standardised Approach for Credit, Market and Operational Risk (Pillar I) with effect from 31st December 2007.

38 FINANCIAL RISK MANAGEMENT (continued)

38.4 Capital management (continued)

38.4.1 Capital management (banking operations) (continued)

Minimum Capital Requirements (continued)

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

	2016 *AED'000*	*2015* *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	**1,766,524**	2,662,122
Retained earnings	**21,938,659**	17,566,680
Tier 1 Capital notes	**9,477,076**	9,477,076
Non-controlling interests	**7,256**	5,662
Total Tier I Capital	**53,796,302**	50,318,327
Less: Goodwill and intangibles	**(5,827,150)**	(6,030,825)
Less: Treasury shares	**(46,175)**	(46,175)
Less: Significant investment in insurance entities	**(86,863)**	-
Total	**47,836,114**	44,241,327
Tier II Capital		
Undisclosed reserves / general provisions	**7,019,697**	6,070,344
Cumulative changes in fair value	**49,856**	214,369
Subordinated debt	**3,752,068**	3,752,068
Less: Significant investment in insurance entities	**(86,863)**	-
Total	**10,734,758**	10,036,781
Of which: Eligible tier II capital	**6,532,725**	6,681,459
Total regulatory capital	**54,368,839**	50,922,786

RISK WEIGHTED EXPOSURE

	2016 *AED'000*	*2015* *AED'000*
Credit risk	**225,413,053**	217,201,778
Market risk	**5,048,821**	4,192,234
Operational risk	**25,706,714**	24,110,440
Total	**256,168,588**	245,504,452
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	**21.22%**	20.74%
Total Tier I regulatory capital as a percentage of total risk weighted assets	**18.67%**	18.02%

38 FINANCIAL RISK MANAGEMENT (continued)

38.4 Capital management (continued)

38.4.1 Capital management (banking operations) (continued)

Internal capital adequacy assessment process (ICAAP)

The Bank has a robust capital adequacy assessment, monitoring and reporting process. It is pro-actively advancing its internal capital adequacy assessment process (ICAAP) along the lines of Basel II.

The Bank has implemented the ICAAP Framework to guide its annual ICAAP exercise. The ICAAP Framework defines governance and approval process, roles and responsibilities of involved units, scope and coverage, risk identification and measurement in the ICAAP exercise.

The Bank performs its annual forward-looking ICAAP exercise which is based on the Bank's financial projections for baseline and stress scenarios over a period of three years to assess the strength of the Bank's capital adequacy under stressed economic conditions. The capital impact arising from Pillar 1 and Pillar 2 risk was measured and assessed in ICAAP.

The ICAAP exercise is an extensive and robust process in the Bank. The process includes scenarios setting, financials projection, risk identification and measurement, stress testing, capital position calculation, mitigation actions and capital planning. It brings together different business and support units in the Bank in major group-wide exercise, in which the various units come together to work collectively in the engagement. The key stake-holders involved in the ICAAP include Risk, Finance, Research and business units. The results of ICAAP and stress tests are discussed at senior management and Board level.

The Bank monitors its risk parameters against the Bank's Risk Appetite limits on a quarterly basis and its capital adequacy ratios under its annual ICAAP are benchmarked against the regulatory requirement and internal Risk Appetite limit.

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 14,138 million as at 31 December 2016 (2015: AED 11,013 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 158,166,949 thousand as at 31 December 2016 (2015: AED 148,156,043 thousand).

The Group has certain bank borrowing arrangements that 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

The financial information of a subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	***2016***	*2015*
Name			
Emirates NBD PJSC	UAE	**44.24%**	44.36%

39 MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

The financial information of Emirates NBD PJSC and its subsidiaries is provided below (continued):

	2016 (AED'000)	*2015 (AED'000)*
Balances of material non-controlling interests	**29,638,275**	28,311,440
Profit allocated to material non-controlling interests	**3,531,950**	3,514,643
Dividend / interest paid to material non-controlling interests	**1,574,443**	1,452,715

The above analysis includes Tier 1 capital notes and interest thereon.

The summarised financial information of the Bank is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income for the year ended 31 December is set out below:

	2016 (AED'000)	*2015 (AED'000)*
Profit for the year	**7,239,163**	7,123,768
Total comprehensive income	**5,977,981**	6,573,181

Summarised statement of financial position as at 31 December is set out below:

	2016 (AED'000)	*2015 (AED'000)*
Current assets	**304,303,957**	266,113,856
Non-current assets	**143,700,055**	140,446,319
Current liabilities	**329,158,680**	302,440,407
Non-current liabilities	**69,984,414**	53,371,241

Summarised cash flow statement information for the year ended 31 December is set out below:

	2016 (AED'000)	*2015 (AED'000)*
Net cash flows from operating activities	**1,579,213**	5,886,820
Net cash flows from/(used in) investing activities	**1,874,430**	(1,199,513)
Net cash flows from financing activities	**8,351,637**	2,377,880
Net increase in cash and cash equivalents	**11,805,280**	7,065,187

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:

- 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;
- 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 and aircraft leasing services; and
- Oil and gas products/services: This segment comprises of upstream oil and gas production and downstream marketing and retailing of oil and gas functions.

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 construction contracting and structural steelwork manufacturing; and
- Other investment income: Primarily comprises of investment operations.

The financial information in relation to the operating segments of the Group is presented below:

	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*
2016 *:					
Revenues					
Revenue from external customers	**19,116,918**	**96,286,140**	**44,202,886**	**16,707,760**	**176,313,704**
Results:					
Profit for the year before income tax from continuing operations	**9,240,537**	**4,616,573**	**4,197,077**	**4,388,260**	**22,442,447**
Assets and liabilities:					
Segmental Assets	**471,270,362**	**147,566,170**	**46,165,282**	**102,774,561**	**767,776,375**
Segmental Liabilities	**387,872,871**	**105,152,525**	**24,185,592**	**42,675,142**	**559,886,130**

40 OPERATING SEGMENTS (continued)

The financial information in relation to the operating segments of the Group is presented below (continued):

2015 *:	*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	17,194,576	94,173,770	49,669,646	16,108,643	177,146,635
Results:					
Profit for the year before income tax from continuing operations	9,032,749	8,017,467	3,698,967	4,829,546	25,578,729
Assets and liabilities:					
Segmental Assets	428,554,340	138,589,715	53,985,598	98,003,439	719,133,092
Segmental Liabilities	336,072,059	99,868,263	44,777,942	42,778,712	523,496,976

* Group entities which are classified as a disposal group held for sale as at the reporting date and 2015 have not been considered for IFRS 8 – Operating Segments disclosures.

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

List of significant subsidiaries, associates and joint ventures along with their principal activities is as follows:

SUBSIDIARIES:

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD				
Emirates NBD PJSC	**55.76%**	55.64%	UAE	Banking
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 Authority	**100.00%**	100.00%	UAE	Management of the Dubai World Trade Centre Complex

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES (continued)

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
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
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
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	**80.53%**	80.53%	UAE	Operations in aircraft leasing, maintenance, repair and over haul.
Kerzner International Holdings Ltd	**69.47%**	69.47%	Bahamas	Hotel operations and management

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES (continued)

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information technology services for Department of Naturalisation and Residency Dubai ("DNRD")
Aswaaq LLC	**99.00%**	99.00%	UAE	Retail trading
D Clear Europe Ltd	**100.00%**	100.00%	UK	Development, distribution and service of its transaction lifecycle management software products and data management services.
Atlantis the Palm 2 Holding LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
AMSA Holdings FZE	**100.00%**	100.00%	UAE	Owning and leasing of properties
Golf in Dubai LLC	**99.00%**	99.00%	UAE	Managing of golf events
One Za'abeel LLC	**100.00%**	100.00%	UAE	Management of real estate
Gazelle Finance 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
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Ssangyong Engineering & Construction Co.Ltd	**98.97%**	93.43%	South Korea	Engineering and construction company
Imdaad LLC	**100.00%**	100.00%	UAE	Management services.
Dubai Aviation Corporation (trading as "flydubai")	**100.00%**	100.00%	UAE	Commercial air transportation which includes passengers, cargo and postal carriage services, whole sale and retail of consumer goods, in-flight and institutional
Ithra Dubai Owned by ICD One Person Co. LLC	**100.00%**	100.00%	UAE	Real estate holding and trust company

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES (continued)

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of ICD (continued)				
ICD Hospitality & Leisure LLC	**100.00%**	100.00%	UAE	Leisure and hospitality
Canal Point LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for investment in commercial enterprises and management
Zeraa Investment LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for investment in agricultural enterprises and management.
Ithra Europe Owned by ICD One Person Co. LLC	**100.00%**	-	UAE	Leisure & hospitality
Ithra Africa Owned by ICD One Person Co. LLC	**100.00%**	-	UAE	Leisure & hospitality
ICD Cape Town FZE	**100.00%**	100.00%	UAE	Holding and propriety company
Columbus Centre Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operations
ICD Funding Limited	**100.00%**	100.00%	Cayman Islands	Investment company
Ibtikar Innovation Investment LLC	**100.00%**	-	UAE	Investment in commercial enterprises and management
Binaa Dubai LLC	**100.00%**	-	UAE	Investment in commercial enterprises and management
AMSA 2 Holding FZE	**100.00%**	-	UAE	Owning and leasing of properties
Palmilla JV, LLC	**84.74%**	-	Delaware	Leisure and hospitality
List of significant subsidiaries of Emirates NBD PJSC				
Emirates Islamic Bank PJSC	**99.90%**	99.90%	UAE	Islamic banking
Emirates NBD Egypt S.A.E	**100.00%**	100.00%	Egypt	Banking
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic banking

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES (continued)

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC				
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	Lease out commercial properties for rental purposes
ENOC Supply and Trading LLC	**100.00%**	100.00%	UAE	Petroleum supply & trading
Dragon Oil (Holdings) Limited (see note 35.2)	**100.00%**	100.00%	Malta	Oil and gas exploration, development and production
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal
List of significant subsidiaries of Emirates				
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 (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

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES (continued)

	Beneficial interest 2016	*Beneficial interest 2015*	*Country of incorporation*	*Principal activities*
List of significant subsidiaries of dnata/dnata World Travel				
Dnata Travel (UK) Limited	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Inc.	**100.00%**	100.00%	Philippines	Aircraft handling services
Maritime and Mercantile International Travel LLC	**100.00%**	100.00%	UAE	Travel agency
List of significant 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
List of significant subsidiaries of Atlantis the Palm 2 Holding LLC				
The Royal Atlantis Resort & Residences FZCO	**100.00%**	100.00%	UAE	Manging real estate assets
List of significant subsidiaries of ICD Hospitality and Leisure LLC				
Atlantis the Palm Holding Company Limited	**100.00%**	100.00%	British Virgin Islands	Hotel operation
Hotels Washington Corporation (Cayman)	**100.00%**	100.00%	Cayman Islands	Hotel operation
ASSOCIATES:				
List of significant associates of ICD				
Emaar Properties PJSC	**27.50 %**	27.50 %	UAE	Property investment and development, property management services, retail, hospitality and investments in providers of financial services
Dubai Islamic Bank PJSC	**28.33%**	27.91%	UAE	Banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking

41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES (continued):

List of significant associates of ICD (continued)

Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
Galadari Brothers Company Limited (LLC)	**37.94%**	37.94%	UAE	Company engaged in trading of various goods and services
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment.
Dubai Ice Factory and Refrigeration LLC	**28.00%**	28.00%	UAE	Manufacture and sale of ice.

List of significant associates of Emirates NBD PJSC

National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance

List of significant associates of Emirates National Oil Co. Limited (ENOC) LLC

Vopak Horizon Fujairah Holding Limited	**33.33%**	33.33%	Gibraltar	Terminalling holding company

List of significant associates of Borse Dubai Limited

Nasdaq, Inc. (see note 41.1)	**17.88%**	18.12%	USA	Stock Exchange

JOINT VENTURES:

List of significant joint ventures 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
ICD Brookfield Place Dubai Limited	**50.00%**	-	UAE	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 significant joint ventures of Emirates National Oil Co. Limited (ENOC) LLC

EPPCO International Limited ("EIL")	**50.00%**	50.00%	Bahamas	Petroleum terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing

List of significant joint ventures of Dubal Holding LLC

Emirates Global Aluminium PJSC (EGA)	**50.00%**	50.00%	UAE	Aluminium smelters

In a number of cases, the Group owns more than a 50% ownership interest in entities and has classified them as associates / joint ventures, as management believes that the Group does not control these entities. In certain cases, 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 Inc. the Group exercises significant influence through having a direct representation on the Board of Directors of Nasdaq Inc. and accordingly, has adopted the equity method of accounting for this investment.

42 SUBSEQUENT EVENTS

1. Subsequent to the year end, ICD issued a 10 year 5% USD 1 billion Sukuk under its existing Trust Certificate Issuance Programme.

2. Subsequent to the year end, Dubai Aerospace Enterprise (DAE) Ltd. signed an agreement to acquire 100% of the AWAS group of companies, a global leader in aircraft leasing.