Investment Corporation of Dubai
and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

EY
Building a better working world

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Investment Corporation of Dubai ("ICD") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

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

4 June 2014

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2013

	Notes	**2013 AED'000**	2012 AED'000 *(Restated)
Continuing operations			
Revenues	39	**178,262,800**	150,990,148
Cost of revenues		**(145,651,253)**	(123,141,479)
		32,611,547	27,848,669
Other income	3	**5,169,751**	4,459,073
Net gain from derivative instruments		**48,345**	181,176
General, administrative and other expenses		**(15,889,389)**	(13,881,252)
Net impairment losses on financial assets	4	**(4,984,691)**	(3,801,175)
Other finance income	5	**764,400**	904,739
Other finance costs	6	**(3,520,715)**	(2,496,589)
Share of results of associates and joint ventures	15	**2,497,841**	2,620,836
PROFIT FOR THE YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**16,697,089**	15,835,477
Income tax expense	7	**(895,563)**	(984,833)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**15,801,526**	14,850,644
Discontinued operations			
Profit for the year / period from discontinued operations	23 (a) and 23 (c)	**1,790,945**	1,618,989
PROFIT FOR THE YEAR	8	**17,592,471**	16,469,633
Attributable to:			
The equity holder of ICD		**14,591,403**	13,973,267
Non-controlling interests		**3,001,068**	2,496,366
		17,592,471	16,469,633

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2013

	2013 ***AED'000***	*2012* *AED'000* **(Restated)*
PROFIT FOR THE YEAR	**17,592,471**	16,469,633
Other comprehensive income		
Other comprehensive income to be reclassified to income statement in subsequent periods:		
Net movement in fair value of available-for-sale investments and cash flow hedges	**2,695,849**	265,277
Foreign currency translation differences (net)	**(45,789)**	115,719
Group's share in other equity movements of equity accounted investees	**272,072**	162,986
Net other comprehensive income to be reclassified to income statement in subsequent periods	**2,922,132**	543,982
Other comprehensive income not to be reclassified to income statement in subsequent periods:		
Actuarial loss on defined benefit plan	**(315,858)**	(24,636)
Other comprehensive income for the year	**2,606,274**	519,346
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,198,745**	16,988,979
Attributable to:		
The equity holder of ICD	**17,014,631**	14,300,426
Non-controlling interests	**3,184,114**	2,688,553
	20,198,745	16,988,979

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	***2013 AED'000***	*2012 AED'000 *(Restated)*	*2011 AED'000 *(Restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	11	**101,597,567**	98,970,496	77,346,609
Intangible assets	12	**27,512,290**	25,130,774	14,006,686
Investment properties	13	**7,398,980**	7,372,306	7,258,944
Development properties	14	**476,014**	320,804	295,909
Investments in associates and joint ventures	15	**31,333,268**	31,462,632	29,882,278
Investments in marketable securities	16	**21,255,750**	16,109,037	17,159,915
Other non-current assets	17	**14,937,763**	20,979,230	14,517,524
Islamic financing and investment products	20	**22,793,942**	20,331,166	16,622,589
Loans and receivables	21	**71,590,011**	72,644,622	76,348,007
Cash and deposits with banks	22	**3,563,511**	2,495,055	1,925,820
Positive fair value of derivatives	29	**1,072,383**	1,681,784	1,909,086
Deferred tax asset	7	**130,703**	142,675	26,916
		303,662,182	297,640,581	257,300,283
Current assets				
Investments in marketable securities	16	**4,353,870**	4,614,386	3,859,358
Inventories	18	**10,598,510**	11,151,322	9,636,445
Trade and other receivables	19	**30,661,265**	27,673,573	26,890,068
Islamic financing and investment products	20	**13,620,933**	11,800,109	12,589,994
Loans and receivables	21	**127,935,571**	105,595,828	92,450,823
Cash and deposits with banks	22	**90,000,638**	72,476,838	60,208,068
Positive fair value of derivatives	29	**878,237**	731,882	1,199,988
Customer acceptances		**4,986,419**	6,301,961	3,777,759
		283,035,443	240,345,899	210,612,503
Assets of disposal group classified as held for sale	23	**21,625,423**	10,033	-
		304,660,866	240,355,932	210,612,503
TOTAL ASSETS		**608,323,048**	537,996,513	467,912,786

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2013

	Notes	*2013* *AED'000*	*2012* *AED'000* **(Restated)*	*2011* *AED'000* **(Restated)*
EQUITY AND LIABILITIES				
Equity attributable to the equity holder of ICD				
Capital	24	**64,534,449**	64,534,449	64,253,449
Retained earnings		**50,214,166**	38,630,617	27,958,738
Other reserves	26	**15,604,942**	14,980,789	12,525,416
Reserves of disposal group classified as held for sale	23 & 26	**2,378,077**	-	-
		132,731,634	118,145,855	104,737,603
Non-controlling interests		**29,291,829**	23,698,292	22,550,123
Total equity		**162,023,463**	141,844,147	127,287,726
Non-current liabilities				
Employees' end of service benefits	27	**1,857,079**	1,547,353	1,405,823
Borrowings and lease liabilities	28	**98,245,608**	79,144,637	59,308,608
Negative fair value of derivatives	29	**1,612,445**	2,651,944	2,728,544
Other non-current payables	30	**4,979,738**	4,714,265	3,043,583
Customer deposits	32	**6,648,250**	15,277,375	11,907,440
Islamic customer deposits	33	**11,209,566**	6,074,115	4,709,500
Deferred tax liability	7	**1,100,157**	971,170	633,190
		125,652,843	110,380,859	83,736,688
Current liabilities				
Employees' end of service benefits	27	**1,223**	1,342	831
Borrowings and lease liabilities	28	**49,718,323**	52,517,539	52,282,121
Negative fair value of derivatives	29	**670,208**	680,268	475,475
Trade and other payables	31	**65,609,798**	54,753,183	33,033,252
Customer deposits	32	**167,382,683**	142,804,853	132,444,032
Islamic customer deposits	33	**27,283,768**	26,903,467	31,400,461
Deposits under repurchase agreements	34	**67,129**	730,873	2,519,660
Current income tax liability		**1,098,616**	1,067,937	940,444
Customer acceptances		**4,986,419**	6,301,961	3,777,759
Deferred tax liability	7	**-**	-	14,337
		316,818,167	285,761,423	256,888,372
Liabilities of disposal group classified as held for sale	23	**3,828,575**	10,084	-
		320,646,742	285,771,507	256,888,372
Total liabilities		**446,299,585**	396,152,366	340,625,060
TOTAL EQUITY AND LIABILITIES		**608,323,048**	537,996,513	467,912,786

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Director

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Director

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2013

	Notes	*2013* *AED'000*	*2012* *AED'000* **(Restated)*
OPERATING ACTIVITIES			
Profit before tax from continuing operations		**16,697,089**	15,835,477
Profit before tax from discontinued operations		**1,793,198**	1,623,892
		18,490,287	17,459,369
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	8	**9,752,911**	8,129,354
Impairment allowance on loans and receivables	21	**3,114,744**	3,180,719
Impairment allowance on Islamic financing and investment products	20	**1,287,475**	673,497
Amortisation and impairment of intangible assets		**692,684**	529,206
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	3	**(16,498)**	(38,596)
Net change in fair value of investments carried at fair value through profit or loss	16	**(106,677)**	(21,608)
Impairment loss on available-for-sale investments		**455,346**	210,411
Operating and other finance income		**(10,971,570)**	(11,212,012)
Operating and other finance costs		**5,567,892**	5,498,685
Provision for employees' end of service benefits	27	**859,973**	801,150
Impairment loss on investments in associates and joint ventures	15	**50,025**	407,725
Gain on disposal of stake in an indirect subsidiary classified as discontinued operations		**-**	(19,934)
Reversal of provision for impairment on amount due from a related party	4 & 17.4	**-**	(398,737)
Gain on re-measurement of an associate on conversion into a subsidiary	3, 15 & 10(d)	**-**	(224,260)
Share of results of associates and joint ventures		**(2,526,624)**	(2,712,381)
Gain on disposal of stake in an indirect associate	3	**(479,211)**	-
		26,170,757	22,262,588
Working capital changes:			
Inventories		**760,665**	(314,814)
Trade and other receivables		**(4,358,882)**	(583,418)
Trade and other payables		**11,488,230**	14,691,667
Loans and receivables		**(23,045,876)**	(12,622,339)
Statutory deposits (banking operations)		**(3,298,168)**	(2,235,333)
Deposits with banks with original maturity over three months (banking operations)		**(1,720,516)**	(2,295,667)
Customer deposits including Islamic customer deposits		**13,729,457**	10,598,377
Fair value of derivatives (net)		**(578,376)**	786,785
Islamic financing and investment products with original maturity over three months		**(5,649,630)**	(4,868,063)
Other non-current assets		**1,415,201**	(8,390,062)
Other non-current payables		**545,676**	831,425
Net cash from operations		**15,458,538**	17,861,146
Employees' end of service benefits paid	27	**(643,925)**	(662,533)
Taxes paid		**(733,062)**	(747,231)
Operating finance income received (banking operations)		**10,207,170**	10,032,194
Operating finance costs paid (banking operations)		**(2,047,177)**	(2,941,837)
Exchange translation reserve and other movements (net)		**(103,742)**	129,003
Net cash generated from operating activities		**22,137,802**	23,670,742

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

CONSOLIDATED CASH FLOW STATEMENT (continued)
Year ended 31 December 2013

	Notes	**2013 AED'000**	2012 AED'000 *(Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		**(21,360,685)**	(13,327,731)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback of aircraft		**1,151,700**	1,211,133
Acquisition of subsidiaries		**(2,028,829)**	(21,429)
Other finance income received (non-banking operations)		**764,400**	1,179,818
Proceeds from sale of stake in an indirect subsidiary classified as discontinued operations		**-**	19,934
Net of other movements in investments in marketable securities		**(656,874)**	407,165
Investments in associates and joint ventures		**(77,274)**	(1,083,579)
Dividend from associates and joint ventures	15	**1,163,945**	877,878
Net movement in deposits with banks with original maturity over three months (non-banking operations)		**(9,068,077)**	(6,456,897)
Payments for shares repurchased by an indirect subsidiary of the Group		**-**	(750,200)
Proceeds from disposal of stake in an indirect associate		**449,052**	-
Net cash used in investing activities		**(29,662,642)**	(17,943,908)
FINANCING ACTIVITIES			
Distribution to the Government	25	**(2,233,182)**	(1,166,933)
Issuance of Tier 1 Capital Notes by a banking subsidiary		**3,648,497**	-
Interest on Tier 1 Capital Notes issued by a banking subsidiary		**(123,879)**	-
Net movement in borrowings and lease liabilities		**10,768,608**	3,338,127
Net movement in deposit under repurchase agreements		**(663,744)**	(1,788,787)
Other finance costs paid (non-banking operations)		**(3,520,715)**	(2,556,848)
Directors' fees paid		**(13,837)**	(11,460)
Dividend paid to the non-controlling interests		**(1,084,029)**	(922,815)
Net cash from / (used in) financing activities		**6,777,719**	(3,108,716)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(747,121)**	2,618,118
Cash and cash equivalents acquired on business combinations		**3,638,980**	1,348,946
Cash and cash equivalents relating to disposal group classified as held for sale		**(325,288)**	(22,000)
Cash and cash equivalents at the beginning of the year		**12,612,325**	8,667,261
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	**15,178,896**	12,612,325

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

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

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2013

	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*	*Total equity AED'000*
Balance at 1 January 2012 as previously reported	64,253,449	28,103,765	12,544,895	104,902,109	22,550,123	127,452,232
Change in accounting policy (see note 2.3)	-	(145,027)	(19,479)	(164,506)	-	(164,506)
Balance at 1 January 2012 (Restated)*	64,253,449	27,958,738	12,525,416	104,737,603	22,550,123	127,287,726
Profit for the year	-	13,973,267	-	13,973,267	2,496,366	16,469,633
Other comprehensive income for the year	-	(24,636)	351,795	327,159	192,187	519,346
Total comprehensive income for the year	-	13,948,631	351,795	14,300,426	2,688,553	16,988,979
Increase in capital during the year (see note 24)	281,000	-	-	281,000	-	281,000
Distribution paid to the Government (see note 25)	-	(1,166,933)	-	(1,166,933)	-	(1,166,933)
Directors' fees in subsidiaries, associates and joint ventures	-	(7,800)	-	(7,800)	(3,660)	(11,460)
Change in ownership	-	(298,619)	793,220	494,601	(1,137,629)	(643,028)
Dividend paid to non-controlling interests	-	-	-	-	(922,815)	(922,815)
Shares purchased and cancelled by an indirect subsidiary	-	(408,171)	-	(408,171)	(342,029)	(750,200)
Arising on acquisition of a subsidiary (see note 10(d))	-	-	-	-	853,420	853,420
Transfers	-	(1,301,968)	1,301,052	(916)	916	-
Other movements (net)	-	(93,261)	9,306	(83,955)	11,413	(72,542)
Balance at 31 December 2012	64,534,449	38,630,617	14,980,789	118,145,855	23,698,292	141,844,147

* Certain comparatives as disclosed in note 2.3 have been restated due to the adoption of IFRS 10 by the Group.

1 ACTIVITIES

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

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

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

2.1 BASIS OF PREPARATION

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

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

The Group's consolidated financial statements have been approved by the Board of Directors on 4th June 2014.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of ICD and its subsidiaries. The list of ICD's significant subsidiaries, associates and joint ventures is provided in note 40.

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

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

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

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

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

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, certain standards and amendments that require restatement of previous financial statements. The nature and the effect of changes to the consolidated financial statements as a result of such application are disclosed below.

IFRS 10 - *Consolidated Financial Statements*

The Group has applied IFRS 10 - Consolidated Financial Statements, for the first time during the year ended 31 December 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 - Consolidated and Separate Financial Statements, that dealt with consolidated financial statements and SIC-12 - Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control, such that an investor controls an investee when it 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. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

Following is the impact of adoption of IFRS 10 by the Group:

	December 2012 AED '000	December 2011 AED '000
Decrease in investments in associates and joint ventures	155,587	164,506
Decrease in other reserves	11,432	19,479
Decrease in retained earnings	144,155	145,027
Decrease in cash and deposit with bank	378,069	384,207
Decrease in trade and other payables	378,069	384,207

The adoption of IFRS 10 has resulted in decrease in share of results of associates and joint venture of AED 872 thousand for the year ended 31 December 2012.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 11 - *Joint Arrangements and* International Accounting Standard ("IAS") 28 - *Investment in Associates and Joint Ventures*

IFRS 11 replaces IAS 31 - Interests in Joint Ventures and SIC-13 - Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of IFRS 11 has no effect on the financial position or performance of the Group, as the Group currently follows equity method for accounting of interest in Joint Ventures and Associates.

IFRS 12 - *Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities. IFRS 12 disclosures are provided in notes 15 and 38.

IFRS 13 - *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IFRS 13 defines fair value as 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 under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 16.

IAS 1 - *Presentation of Items of Other Comprehensive Income – (Amendment)*

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 - *Clarification of the requirement for comparative information (Amendment)*

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Group's financial position or performance. However, the Group has disclosed certain comparatives in respect of the opening statement of financial position as at 1 January 2012.

IAS 32 - *Tax effects of distributions to holders of equity instruments (Amendment)*

The amendment to IAS 32 - Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 - Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial statements for ICD, as there is no tax consequences attached to cash or non-cash distribution.

2.4 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the International Accounting Standard Board's ("IASB") work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, as the Group does not qualify as an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014, and are not expected to significantly impact the Group's financial position or performance.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

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.

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

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

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

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

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

The Group revised its long term view of oil prices from AED 312.38 (USD 85) per barrel to AED 330.75 (USD 90) per barrel from 1 August 2013. The effect of an upward revision in the long-term oil price is to lower the level of reserves attributable to the Group and to increase the depletion charge per barrel.

The Group's estimated long-term view of netback prices for gas is AED 12.86 (USD 3.50) per Mscf, based on the current outlook.

If the estimate of the long-term oil price had been AED 73.5 (USD 20) per barrel, and the netback price of gas had been AED 7.35 (USD 2) per Mscf higher, at AED 20.21 (USD 5.5) per Mscf, from 1 January 2013, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of AED 40.1 million (USD 10.9 million) for the year.

If the estimate of the long term oil price had been AED 73.5 (USD 20) per barrel, and the netback price of gas had been AED 7.35 (USD 2) per Mscf lower, at AED 5.5 (USD 1.5) per Mscf, from 1 January 2013, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of AED 74.24 million (USD 20.2 million) for the year.

If the expected gas sales were delayed to 2018, the depletion charge for the year would increase by AED 18.38 million (USD 5 million) for the year. Should there be significant delay in signing of the gas sales agreement at appropriate commercial terms beyond 2018, 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 235.2 million (USD 64 million) over the remaining life of the PSA.

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

Held-to-maturity investments
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.

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 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.

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

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities under common control, business combinations and goodwill
Transactions involving entities under common control where the transaction has substance, and business combinations falling within the scope of IFRS 3 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Under the equity method, the investments in joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. Goodwill relating to joint ventures is included in the carrying amount of the investments in joint ventures. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investments in joint ventures.

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.

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

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

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. When the remaining investment in joint venture constitutes significant influence, it is accounted for as an investment in associate.

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

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

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

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

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

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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of results of associates and joint ventures" in the consolidated income statement.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement. Upon loss of significant influence over an associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

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

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

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

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

Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:
- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Freehold property	*5 -60 years*
Buildings (including leasehold premises) and leasehold improvements	*1.5 - 50 years*
Plant, machinery, equipment and vehicles	*2 - 50 years*
Airport plant and equipment	*5 - 10 years*
Fixed plant	*5 - 22 years*
Mobile plant	*2 - 22 years*
Marine vessels	*25 years*
Network, electrical and heavy equipment	*3 -20 years*
Aircraft - used	*5 - 8 years (residual value 10 - 20%)*
Aircraft - new	*15 years (residual value 10%)*
Aircraft held for lease	*Not to exceed 25 years*
Aircraft engines and parts	*5 - 15 years (residual value 0 - 10%)*
Aircraft engines used for rental purposes	*Based on hours flown*

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Exploration and evaluation assets

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

At the time of an aircraft acquisition, the Group evaluates whether the lease acquired with the aircraft is at fair market value by comparing the contractual lease rates to the range of current lease rates of like 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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Aircraft held for lease (continued)
Expenditures incurred to transfer an aircraft from one lessee to another due to either lease termination or bankruptcies are expensed as aircraft transition costs.

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

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

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

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

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

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

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

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

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

Depreciation is calculated on the straight line method to write-off the costs of investment properties over their estimated useful lives which is estimated by the management to be 20 - 50 years.

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Development properties
Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties 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.

The cost of development properties recognised in the consolidated income statement on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any specific costs based on the relative size of the property sold.

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 inventories depending on its future intended use. No depreciation is charged during the development period.

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)

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.

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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other non-current assets (continued)

iii) Held-to-maturity investments (continued)
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 gains or losses being recognised as cumulative changes in fair value in other comprehensive income, except in case of impairment where the loss is recognised in the consolidated income statement. When the investment is disposed off, the cumulative gain or loss previously recorded in other comprehensive income / equity is recognised in the consolidated income statement.

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

Assets in this category are included in non-current assets unless management intends to dispose off the assets within 12 months of the reporting date. The assets are derecognised when rights to receive cash flows have expired or have been transferred alongwith substantially all the risks and rewards of ownership.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair values less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

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

An impairment loss in respect of goodwill is not reversed. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in consolidated income statement.

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss of the 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 is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the investments in associates or joint ventures (as the case may be) and its carrying value 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.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on assets carried at amortised cost has to be incurred, 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.

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. Losses expected from future events are not recognised.

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The allowance on a collective basis is calculated as follows:

When appropriate empirical information is available, the Group utilises the roll rate methodology. This methodology employs statistical analyses of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of the 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. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio, though sometimes it provides less relevant information about the inherent loss in a given portfolio at the reporting date, for example, when there have been changes in economic, regulatory or behavioural conditions which result in the most recent trends in portfolio risk factors being not fully reflected in the statistical models. In these circumstances, the risk factors are taken into account by adjusting the impairment allowances derived solely from historical loss experience.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Properties acquired or constructed with the intention of sale are classified as inventory properties under inventory, upon acquisition or when construction is completed. 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.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)
Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the property, which are capitalised as and when activities that are necessary to get the property ready for the intended use are in progress. 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.

Management reviews the carrying values of the inventory properties on an annual basis.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and deposits with banks and islamic financing and investment products with original maturity of three month or less, net of bank overdrafts and due to banks with original maturity of three month or less.

Operating segments
For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment management responsible for the performance of the respective segments. The segment management report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 39.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities in relation to assets 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 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. 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.

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and liabilities (continued)
Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 subsidiary maintains a frequent flyer programme that provides a variety of awards to programme members based on a mileage credit for flights on the Group's airline and other airlines that participate in the programme. Members can also accrue miles by utilising the services of non-airline programme participants.

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

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

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Fund management
One of the Group's subsidiaries manages and administers funds on behalf of investors. The financial statements of these funds are not included in these consolidated financial statements.

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

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

Operating leases are those that do not meet the definition of a finance lease. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Derivative financial instruments and hedging
The Group uses derivative financial instruments 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 accumulated in equity are recycled to the consolidated income statement in the periods in which the hedged item will affect the consolidated income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (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.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in 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 exploration business excludes the sales of oil attributable to abandonment and decommissioning barrels under the terms of the Production Sharing Agreement between the Group and the relevant government authority.

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from aerospace engineering and aircraft leasing

In general, the Group's aircraft lease rentals are recognised on a straight-line basis over the term of the lease. The Group will neither recognise revenue nor record a receivable from a customer when collectibility is not reasonably assured. Group's management determines whether customers should be placed on a non-accrual status based on factors such as the lessee's credit rating, payment performance, financial condition and requests for modifications of lease terms and conditions as well as security received from the lessee in the form of guarantees and/or letters of credit. Once a customer is on non-accrual status, revenue is recognised when cash payments are received. Estimating whether collectibility is reasonably assured requires some level of subjectivity and judgment as it is based primarily on the extent to which amounts outstanding exceed the value of security held, the financial strength and condition of the lessee and the current economic conditions of the lessee's operating environment. As of 31 December 2013, no leases were on non-accrual status.

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Commission income is accounted for on an accrual basis.

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Musharaka
Income is accounted for on the basis of the reducing balance on a time propotion basis that reflects the effective yield on the asset.

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

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

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

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

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

A disposal group qualifies as discontinued operation if it is:

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

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

3 OTHER INCOME

	2013 *AED'000*	*2012* *AED'000*
Foreign exchange translation gain	**934,982**	955,554
Liquidated damages	**698,320**	1,090,986
Gain on re-measurement of an associate on conversion into a subsidiary (see notes 10(d) and 15(b))	**-**	224,260
Gain on disposal of stake in an indirect associate (see note 15 (a))	**479,211**	-
Gain on disposal of stake in an indirect subsidiary	**11,618**	-
Gain on re-measurement of an indirect joint venture on conversion into a subsidiary (see note 10(c))	**31,312**	-
Gain on deemed disposal of investment in associates	**60,676**	-
Net gain on sale of marketable securities	**272,599**	436,270
Net change in fair value of investments carried at fair value through profit or loss (see note 16)	**106,677**	21,608
Dividend income from marketable securities	**89,960**	135,075
Net gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	**16,498**	38,596
Vendors' support fee income	**269,817**	213,558
Others	**2,198,081**	1,343,166
	5,169,751	4,459,073

4 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2013 *AED'000*	*2012* *AED'000*
Impairment loss on loans and receivables - net of recoveries (see note 21)	**3,114,744**	3,180,719
Impairment loss on trade and other receivables - net of recoveries	**33,626**	112,328
Impairment loss on available-for-sale investments	**452,378**	203,065
Impairment loss on investments in associates and joint ventures (see note 15)	**50,025**	-
Impairment loss on islamic financing and investment products (see note 20)	**1,287,475**	673,497
Other impairment losses - net	**46,752**	32,164
Reversal of provision for impairment on amount due from a related party (see note 17.4)	**-**	(398,737)
Net special asset recoveries	**(309)**	(1,861)
	4,984,691	3,801,175

5 OTHER FINANCE INCOME

	2013 *AED'000*	*2012* *AED'000*
Interest income and profit from bank deposits	**581,336**	697,456
Interest income and profit from associates and joint ventures (see note 36(a))	**57,000**	34,093
Interest income and profit from Government, Ministry of Finance of the UAE ("MOF") and other related parties (see note 36(a))	**113,250**	141,219
Other interest income and profit	**12,814**	31,971
	764,400	904,739

6 OTHER FINANCE COSTS

	2013 AED'000	*2012 AED'000*
Finance costs on bank borrowings	**1,653,089**	898,924
Interest on loans from associates and joint ventures (see note 36(a))	**145,699**	87,617
Interest on loans from Government, MOF and other related parties (see note 36(a))	**701,529**	721,733
Finance charges on finance leases and hire purchase contracts	**781,831**	701,748
Others	**238,567**	86,567
	3,520,715	2,496,589

7 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	2013 AED'000	*2012 AED'000*
Current income tax		
Current income tax charge	**738,167**	895,568
Deferred income tax		
Relating to origination and reversal of temporary differences	**157,396**	89,265
Income tax expense related to continuing operations	**895,563**	984,833
Income tax attributable to discontinued operations (see note 23(a) and 23(c))	**2,253**	4,903
	897,816	989,736

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

Income tax therefore relates only to certain overseas subsidiary companies and operations which are subject to income tax. Hence, providing information on effective tax rates is not considered meaningful.

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

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

7 INCOME TAX EXPENSE (continued)

Deferred income tax (continued)

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

	Consolidated statement of financial position 2012 AED'000	*Consolidated income statement 2012 AED'000*
Deferred tax liability		
Accelerated depreciation for tax purposes	784,022	151,452
Tax effect of intangible assets and other timing differences	187,148	(49,942)
	971,170	101,510
Deferred tax asset		
Losses available for offset against future taxable income	34,596	(1,189)
Other timing differences	101,428	(11,747)
Inventory	6,651	691
	142,675	(12,245)
Deferred income tax		89,265

8 PROFIT FOR THE YEAR

	2013 AED'000	*2012 AED'000*
Profit for the year is stated after charging the following:		
Staff costs	**19,749,498**	17,397,669
Rental-operating leases (including aircraft operating lease payments of AED 5,803,551 thousand (2012: AED 5,553,107 thousand))	**6,362,355**	6,046,427
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 11, 13 and 14)	**9,752,911**	8,129,354
Amortisation and impairment of intangible assets and advance lease rental (see notes 12 and 17.3)	**854,585**	644,567

8 PROFIT FOR THE YEAR (continued)

Staff costs include pension costs amounting to AED 98,713 thousand (2012: AED 90,694 thousand), other post employment benefits amounting to AED 739,777 thousand (2012: AED 610,716 thousand) and employee profit share scheme expense amounting to AED 63,557 thousand (2012: AED 48,887 thousand).

9 TRANSFER OF ENTITIES UNDER COMMON CONTROL

During 2012, one of the related parties of the Group partly repaid its loan to the Group by way of transfer of shares owned by it in one of the subsidiaries of the Group, Borse Dubai Limited. The total value of additional investment amounted to AED 642,397 thousand and accordingly the Group's investment in the subsidiary increased from 79.43% to 89.72%. As a result of such transfer, the amount of non-controlling interests acquired by the Group amounting to AED 923,847 thousand, was transferred from "non-controlling interests" to "the equity attributable to the equity holders of ICD" through the consolidated statement of changes in equity.

10 BUSINESS COMBINATIONS

a) Acquisition of BNP PARIBAS EGYPT S.A.E

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

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

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

Costs of acquisition amounting to AED 24 million have been charged to consolidated income statement.

The acquired business contributed revenue of AED 358 million and a profit of AED 113 million from the acquisition date to 31 December 2013. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 605 million and AED 186 million respectively.

10 BUSINESS COMBINATIONS (continued)

b) Acquisition of Broadlex Air Services

On 15 April 2013, dnata, one of the subsidiaries of the Group, acquired the business of Broadlex Air Services through its wholly owned subsidiary Airline Cleaning Services Pty. Limited. Broadlex Air Services provides professional aircraft cabin cleaning services at various airports in Australia.

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

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

Costs of acquisition amounting to AED 2,731 thousand have been charged to consolidated income statement.

Goodwill related to the acquisitions arose because the consideration paid for the combinations effectively included amounts in relation to expected synergies, revenue growth and future market development of the acquired businesses.

The acquired business contributed revenue of AED 91,994 thousand and a profit of AED 4,959 thousand from the acquisition date to 31 December 2013. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 125,743 thousand and AED 7,255 thousand respectively.

10 BUSINESS COMBINATIONS (continued)

c) Acquisition of Servair Air Chef srl

On 15 May 2013, dnata, one of the subsidiaries of the Group, obtained control of an existing joint venture, Servair Air Chef srl ("Servair"), by acquiring the remaining 50% through its wholly owned subsidiary Alpha Flight Italia srl. Servair is one of the leading in-flight catering companies in Italy operating in 23 airports.

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

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

Costs of acquisition amounting to AED 2,213 thousand have been charged to consolidated income statement.

The retained interest in the indirect joint venture at the acquisition date was re-measured to fair value resulting in a net gain of AED 31,312 thousand as set out below:

	AED '000
Fair value of retained interest	118,394
Less: carrying amount of investment (see note 15)	(48,899)
Less: de-recognition of goodwill	(38,183)
Gain on re-measurement of retained interest (see note 3)	31,312

Above gain is included in other income in the consolidated income statement.

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

The acquired business contributed revenue of AED 151,146 thousand and a profit of AED 8,192 thousand from the acquisition date to 31 December 2013. If the acquisition had taken place at the beginning of the year, the contribution to Group's revenue and profit would have been AED 389,447 thousand and AED 18,815 thousand respectively.

10 BUSINESS COMBINATIONS (continued)

d) Acquisition of Dubai Aerospace Enterprise (DAE) Limited

During 2012, one of the related parties of the Group partly repaid its loan to the Group by way of transfer of shares owned by it in one of then existing associates of the Group, Dubai Aerospace Enterprise Limited ("DAE"). Due to such share transfer, the Group's ownership in DAE increased to more than 50% and accordingly the Group started exercising control over DAE, thus converting it from an associate to a subsidiary of the Group. DAE is an aerospace corporation with operations in aircraft leasing, maintenance, repair & overhaul (MRO).

The Group has accounted for this business combination using the acquisition method. Since the business combination was achieved in stages, the Group remeasured its previously held investment in DAE at its fair value on the date of attaining control and recognised the resultant gain of AED 224 million in the consolidated income statement (see notes 3 and 15).

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

	Fair values AED' 000
Property, plant and equipment (see note 11)	9,982,079
Intangible assets (see note 12)	433,165
Other non-current assets	453,763
Deferred tax asset	30,738
Inventories	1,074,687
Trade and other receivables	937,397
Cash and deposits with banks	1,233,102
Employees' end of service benefits (see note 27)	(2,117)
Borrowings and lease liabilities	(12,434,201)
Negative fair value of derivatives	(36,816)
Other non-current payables	(839,256)
Deferred tax liability	(127,037)
Trade and other payables	(1,999,675)
	(1,294,171)
Non-controlling interests	(853,420)
Group's share of net assets	**(2,147,591)**
Consideration	
Consideration settled	220,500
Acquisition date fair value of previously held investment (see note 15)	1,282,930
Total consideration	**1,503,430**
Goodwill (see note 12)	**3,651,021**

As a result of the above acquisition, other non-current assets and trade and other receivables amounting to AED 600,973 thousand and AED 1,312,092 thousand respectively (see note 11) were reclassified to property, plant and equipment in the consolidated financial statements. These represent pre-delivery payments made by the Group on behalf of DAE, and other associated amounts relating to aircraft that are to be eventually delivered to DAE at a future date.

	AED' 000
Net cash inflow on acquisition	
Cash and deposits with banks acquired	1,233,102
Less: Cash paid in prior years	(486,408)
	746,694

10 BUSINESS COMBINATIONS (continued)

e) Acquisition of D-Clear Europe Limited

During 2012, the Group acquired 100% beneficial interest in D-Clear Europe Limited ("D-Clear") from one of its related parties. D-Clear is a recognised leader in financial transaction management solutions that enables firms to overcome their post trade processing issues through increased automation. The consideration paid by the Group to acquire the subsidiary amounted to USD 1.

The Group had accounted for this business combination using the acquisition method. The Group had recorded the fair value of assets and liabilities of D-Clear Europe Limited at the date of acquisition and are summarised as below:

	Fair values AED' 000
Property, plant and equipment (see note 11)	5,527
Intangible assets (see note 12)	198,200
Investments in marketable securities	1,007
Deferred tax asset	27,739
Trade and other receivables	80,045
Cash and deposits with banks	115,152
Employees' end of service benefits (see note 27)	(4,410)
Borrowings and lease liabilities	(827,548)
Deferred tax liability	(51,671)
Trade and other payables	(236,291)
Current income tax liability	(9,129)
Net liabilities acquired	**(701,379)**
Consideration paid	AED 4
Goodwill (see note 12)	**701,379**
Cash inflow on acquisition	**115,152**

Further, the Group also acquired a Eurobond (along with interest accrued thereon as of the date of purchase) issued by D-Clear and subscribed for by the related party, from whom D-Clear was acquired, for a cash consideration of AED 918,750 thousand (USD 250 million). Such Eurobond and the interest accrued thereon are included within "borrowings and lease liabilities" and "trade and other payables" respectively shown above. These balances have however been eliminated upon consolidation.

10 BUSINESS COMBINATIONS (continued)

f) Acquisition of Enroute International Limited

During 2012, dnata, one of the subsidiaries of the Group acquired an 80% beneficial interest in Enroute International Limited ("Enroute"), through one of its indirect subsidiaries. Enroute is a supplier of bakery and packaged food solutions with operations in United Kingdom, United Arab Emirates and United States of America.

The fair value of the identifiable assets and liabilities of Enroute as at the date of acquisition were as follows:

	Fair values AED '000
Property, plant and equipment (see note 11)	2,835
Intangible assets (see note 12)	14,269
Trade and other receivables	18,550
Cash and deposits with banks	691
Deferred tax liability	(3,220)
Trade and other payables	(18,532)
Fair value of the net assets acquired	**14,593**
Less: Non-controlling interests	(2,918)
Group's share of net assets acquired	**11,675**
Goodwill (see note 12)	**10,445**
Consideration	22,120
Less: Cash and deposits with banks acquired	(691)
Net cash outflow on acquisition	**21,429**

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing catering business.

The indirect subsidiary that owns Enroute also entered into symmetrical termed put and call option arrangements to acquire a non-controlling interest in Enroute. The fair value of the amount that becomes payable on exercise of the option is included under trade and other payables.

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

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2012	23,428,244	3,973,147	34,461,565	8,607,166	29,913,533	3,579,741	9,983,532	113,946,928
Transfers from investment properties (see note 13)	-	156	-	-	-	-	4,914	5,070
Transfers from development properties (see note 14)	9,790	859	-	-	-	-	-	10,649
Other transfers	2,147,272	311,068	823,640	-	9,775,288	809,459	(13,866,727)	-
On disposal of indirect subsidiary (see note 23(c))	(266,689)	(25,425)	(210,215)	-	-	-	-	(502,329)
Additions during the year	744,059	345,868	2,209,230	1,401,785	1,433,502	322,591	12,413,330	18,870,365
Acquired on business combinations (see note 10)	199,975	17,939	357,872	-	9,318,771	71,114	24,770	9,990,441
Reclassification arising on business combinations (see note 10(d))	-	-	-	-	-	-	1,913,065	1,913,065
Disposals during the year	(158,779)	(253,779)	(1,076,251)	-	(29,780)	(472,831)	(675,393)	(2,666,813)
Translation differences	42,633	4,293	113,298	-	-	5	2,867	163,096
At 31 December 2012	26,146,505	4,374,126	36,679,139	10,008,951	50,411,314	4,310,079	9,800,358	141,730,472
Accumulated depreciation and impairment:								
Balance at 1 January 2012	6,619,426	2,960,922	17,254,620	3,888,874	4,825,462	1,050,028	987	36,600,319
Impairment and depreciation charge for the year (see note 8)	1,145,328	458,739	3,034,067	777,376	2,312,667	256,700	-	7,984,877
Transfers from investment properties (see note 13)	-	14	-	-	-	-	-	14
Relating to disposals during the year	(90,457)	(250,060)	(1,035,752)	-	(29,780)	(111,424)	-	(1,517,473)
On disposal of indirect subsidiary (see note 23(c))	(157,718)	(20,162)	(179,148)	-	-		-	(357,028)
Translation differences	7,285	2,348	39,652	-	-	2	(20)	49,267
At 31 December 2012	7,523,864	3,151,801	19,113,439	4,666,250	7,108,349	1,195,306	967	42,759,976
Net book value:								
At 31 December 2012	18,622,641	1,222,325	17,565,700	5,342,701	43,302,965	3,114,773	9,799,391	98,970,496

11 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Land, buildings and leasehold improvements include:

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

(ii) Retail fuel stations are constructed on land leased from third parties. Leases are generally for a period of 20 years.

(iii) A refinery plant in Jebel Ali, constructed on a land lease granted at a nominal lease rent from the Government. The lease is initially for a period of 15 years which can be renewed for a further period of 15 years by one of the subsidiaries of the Group.

(b) The net book value of property, plant and equipment includes AED 35,115,805 thousand (2012: AED 30,485,191 thousand) in respect of aircraft and aircraft engines held under finance leases and are provided as security against finance lease liabilities included under borrowings and lease liabilities.

(c) Property, plant and equipment other than aircraft and aircraft engines provided as security against the Group's borrowings and lease liabilities amounted to AED 3,168,873 thousand (2012: AED 3,462,982 thousand).

(d) Borrowing costs amounting to AED 219,097 thousand (2012: AED 242,546 thousand) have been capitalised during the year.

(e) Capital work-in-progress includes:

(i) pre-delivery payments of AED 6,550,776 thousand (2012: AED 6,598,565 thousand) in respect of aircraft due for delivery in various years until 2024 (2012: due for delivery in various years until 2024).

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

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

(g) Aircraft includes an amount of AED 5,154,283 thousand (2012: AED 5,364,000 thousand) given on operating leases to various operators for lease terms ranging from 5 to 12 years. The rentals are receivable on a monthly basis in advance and revenue is recognised when earned.

12 INTANGIBLE ASSETS

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

12 INTANGIBLE ASSETS (continued)

	Licences and exclusive rights AED'000	*Goodwill AED'000*	*Customer relationships and trade names AED'000*	*Computer software AED'000*	*Service rights AED'000*	*Contractual rights AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:								
Balance at 1 January 2012	2,855,909	10,117,219	314,974	858,895	777,859	736,194	132,420	15,793,470
Additions during the year	6,473,134	70	-	53,214	20,088	-	124,208	6,670,714
Disposals during the year	-	(165)	-	(1,522)	-	-	(21,802)	(23,489)
Acquired on business combination (see note 10)	206,373	4,362,845	217,992	938	-	220,331	-	5,008,479
On disposal of an indirect subsidiary (see note 23(c))	-	(48,414)	-	(7,511)	-	(56,486)	-	(112,411)
Transfers	-	-	-	107,882	-	-	(107,882)	-
Translation differences	4,899	74,028	2,343	2,928	-	28,585	(7)	112,776
At 31 December 2012	9,540,315	14,505,583	535,309	1,014,824	797,947	928,624	126,937	27,449,539
Accumulated amortisation and impairment:								
Balance at 1 January 2012	303,807	54,491	242,795	599,837	351,801	234,053	-	1,786,784
Impairment and amortisation charge for the year (see note 8)	216,805	70	47,797	119,256	73,045	72,233	-	529,206
Relating to disposals during the year	-	(37)	-	(255)	-	-		(292)
On disposal of an indirect subsidiary (see note 23(c))	-	-	-	(7,500)	-	(9,883)	-	(17,383)
Translation differences	573	7,688	199	1,028	-	10,962	-	20,450
At 31 December 2012	521,185	62,212	290,791	712,366	424,846	307,365	-	2,318,765
Net book value:								
At 31 December 2012	9,019,130	14,443,371	244,518	302,458	373,101	621,259	126,937	25,130,774

12 INTANGIBLE ASSETS (continued)

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

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

The goodwill has been allocated to following CGUs:

- Corporate banking
- Consumer banking
- Treasury
- BNPP Egypt

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

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

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

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

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

Projected growth rate, GDP and local inflation rates
Assumptions are based on published industry research. At 31 December 2013, the goodwill allocated to Corporate Banking was AED 3,364 million (2012: AED 3,364 million), the goodwill allocated to Consumer Banking was AED 1,700 million (2012: AED 1,700 million) and the goodwill allocated to Treasury was AED 206 million (2012: AED 206 million).

During the year goodwill of AED 135 million was recorded on the acquisition of BNP Paribas Egypt S.A.E.

Corporate Banking
The recoverable amount of Corporate Banking CGU, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% per annum applied thereafter. The cash flow forecasts have been discounted at a rate of 9.6% per annum. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would reduce the recoverable amount by AED 7,000 million and AED 5,265 million respectively.

Consumer Banking
The recoverable amount of Consumer Banking CGU, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% per annum applied thereafter. The cash flow forecasts have been discounted at a rate of 9.6% per annum. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would reduce the recoverable amount by AED 5,047 million and AED 3,796 million respectively.

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangibles (continued)

(a) Emirates NBD PJSC (continued)

Treasury
The recoverable amount of Treasury CGU, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% per annum applied thereafter. The cash flow forecasts have been discounted at a rate of 9.6% per annum. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would reduce the recoverable amount by AED 1,063 million and AED 800 million respectively.

BNPP, Egypt
The recoverable amount of BNPP, Egypt CGU, determined on the basis of value in use calculation, uses cash flow projections covering a five year period, with a terminal growth rate of 2% per annum applied thereafter. The cash flow forecasts have been discounted at a rate of 9.6% per annum. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would reduce the recoverable amount by AED 354 million and AED 266 million respectively.

(b) Emirates
For the purpose of impairment testing of goodwill relating to Emirates, goodwill amounting to AED 159 million (2012: AED 159 million) has been allocated to one of Emirates' subsidiaries' consumer goods CGU, AED 25 million (2012: AED 25 million) has been allocated to the food and beverages CGU in the UAE, AED 4 million (2012: AED 4 million) has been allocated to the food and beverages CGU in Australia and AED 369 million (2012: AED 369 million) has been allocated to another Emirates' subsidiary's in-flight catering services CGU. The recoverable amounts for these CGUs have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include risk adjusted pre-tax discount rates, gross margins consistent with historical trends and growth rates based on management's expectations for market development and historical gross margins. Gross margins used for cash flow projections are 25%, 20%, 20% and 38% for the consumer goods, food and beverages in the UAE, food and beverages in Australia and in-flight catering services CGUs in the UAE respectively. Cash flow projections are based on forecasts approved by management covering a three year period. Projected cash flows are discounted using a pre-tax discount rate of 12% per annum for consumer goods, food and beverages in Australia, in-flight catering services in the UAE and food and beverages CGUs in the UAE, which reflects specific risks relating to the CGUs. Cash flows beyond the three year period have been extrapolated using the terminal growth rate of 4% per annum for consumer goods, in-flight catering services in the UAE and food and beverages CGUs in UAE and Australia. The growth rate does not exceed the long term average growth rate for markets in which the CGUs operate.

(c) Dnata
For the purpose of impairment testing of goodwill relating to Dnata, goodwill amounting to AED 98 million (2012: AED 102 million) has been allocated to the airport services' CGUs in Singapore, AED 280 million (2012: AED 273 million) has been allocated to the airport services' CGUs in Switzerland, AED 34 million (2012: Nil) has been allocated to the airport services' CGUs in Australia, AED 553 million (2012: AED 427 million) has been allocated to the in-flight catering services' CGUs in United Kingdom, AED 561 million (2012: AED 549 million) has been allocated to travel agency's CGUs in United Kingdom and AED 3 million (2012: AED 3 million) has been allocated to travel agency's CGUs in the UAE. The recoverable amounts for these CGUs or group of CGUs have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include risk adjusted pre tax discount rates, growth rates based on management's expectations for market development and historical gross margins. Gross margins used for cash flow projections are 21.5%, 6.7%, 22%, 14.5% and 8% for the Singapore airport services, Switzerland airport services, Australia airport services, in-flight catering services and travel agency CGUs in the United Kingdom and the UAE respectively. Cash flow projections for these CGUs are based on forecasts approved by management covering a period of three to five year and discount rates of 7%, 6%, 10%, 8% and 9% per annum respectively. Cash flows beyond such period have been extrapolated using terminal growth rates of 1.5% to 3% per annum for different CGUs. These growth rates do not exceed the long term average growth rate for the markets in which these CGUs or group of CGUs operate.

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

12 INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and other intangibles (continued)

(d) Borse Dubai Limited

Goodwill relating to Borse Dubai Limited has a carrying value of AED 2,883 million (2012: AED 2,883 million). Management has allocated the entire goodwill to the Dubai Financial Market ("DFM"), a subsidiary of Borse Dubai Limited. There was no indication of impairment of such goodwill at 31 December 2013 and 31 December 2012 as DFM's quoted market price at 31 December 2013 and 2012 was higher than the carrying amount of DFM at the respective dates.

e) Dubai Aerospace Enterprise Limited

Goodwill relating to DAE has a carrying value of AED 3,651 million (2012: AED 3,651 million). As at 31 December, the recoverable amount of the goodwill was determined based on a value-in-use calculation using cash flow projections from financial plans, covering a six year period. The average gross margin used in these plans is 16% (2012: 18%), which is based upon historical results. The pre-tax discount rate applied to these cash flow projections is 10% per annum (2012: 10% per annum), reflecting the Group's estimate of risks specific to the business. Cash flows beyond the six year period were extrapolated using a growth rate of approximately 2% per annum (2012: 2% per annum) based upon historical growth results of existing business lines. Based on the results of this analysis, the Group determined that the carrying value of the goodwill is not impaired as of 31 December 2013 and 31 December 2012.

f) D-Clear Europe Limited

Goodwill relating to D-Clear has a carrying value of AED 722,800 thousand (2012: AED 724,924 thousand). The Group considers that goodwill relates to one of D-Clear's subsidiaries and hence it is considered as the CGU.

Management has performed value in use calculations using cash flow projections for this subsidiary of the Group from a forecast for the year to December 2014. Beyond that date cash flow projections are extrapolated to reflect an improvement in trading performance for a further two years to December 2016. The pre-tax rate discount rate applied to the cash flow projections is 10.9% per annum (2012: 10.9% per annum) and cash flows beyond December 2016 are extrapolated using a 1.5% per annum (2012: 1.5% per annum) growth rate. Based on the results of this analysis, management has concluded that no impairment write down is required for the year ended 31 December 2013 and 31 December 2012.

13 INVESTMENT PROPERTIES

	2013 AED'000	*2012 AED'000*
Cost:		
Balance at the beginning of the year	**9,316,390**	9,125,767
Additions during the year	**444,801**	299,221
Transfers to property, plant and equipment (see note 11)	**(7,602)**	(5,070)
Transfers from development properties (see note 14)	**30,041**	7,800
Transfers to inventories	**(77,629)**	(111,328)
Disposals during the year	**(270,677)**	-
At 31 December	**9,435,324**	9,316,390
Accumulated depreciation and impairment:		
Balance at the beginning of the year	**1,944,084**	1,866,823
Depreciation and impairment charge for the year (see note 8)	**117,994**	117,051
Reversal of impairment loss recognised previously against the value of the investment	**(3,000)**	(35,273)
Transfers to inventories	**-**	(4,503)
Transfers to property, plant and equipment (see note 11)	**-**	(14)
Relating to disposals during the year	**(22,734)**	-
At 31 December	**2,036,344**	1,944,084
Net book value:		
At 31 December	**7,398,980**	7,372,306

13 INVESTMENT PROPERTIES (continued)

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

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

In accordance with the agreement entered into, the transfer of title to these investment properties was to be completed within a period of six months from the date of the agreement (1 December 2010) or at a mutually agreed date between the Group and the buyer. As at 31 December 2013, management is in the process of transferring the title to the investment properties in the name of the buyer and is holding the title to the investment properties for the sole benefit of the buyer with effect from 1 December 2010 until the transfer of title is complete.

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

Subsequently, effective 31 December 2012, the Seller entered into an additional asset purchase agreement (the "Supplemental Agreement") with the related party to sell certain additional assets. Subsequent to this agreement, the sale consideration receivable amounted to AED 1,983,501 thousand. The sale during 2012 relates to islamic financing and investing products.

The salient terms and conditions of the Agreement were as follows:

- The sale consideration is receivable on demand on or before the 'registration date', which is any mutually agreed date not later than a period of six months from the date of the Agreement.
- The sale consideration can be settled in cash or in kind, or a combination of cash and in kind, at the discretion of the Purchaser. In case the full settlement of the sale consideration or a portion thereof is in kind, assets to be offered in lieu of the full sale consideration or part thereof, must be of equal value (as verified by an independent real estate valuation consultant appointed jointly by the Purchaser and the Seller) to the amount due and payable under the Agreement.
- Any contingencies and commitments associated with the above assets remain with the Seller.

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

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

14 DEVELOPMENT PROPERTIES

	2013 AED'000	*2012 AED'000*
Cost:		
Balance at the beginning of the year	**407,835**	355,514
Additions during the year	**319,794**	77,650
Transfers to property, plant and equipment (see note 11)	**(43,140)**	(10,649)
Transfers to cost of revenues	**(104,281)**	(11,967)
Transfers to investment properties (see note 13)	**(30,041)**	(7,800)
Capital advances during the year	**14,117**	5,087
At 31 December	**564,284**	407,835
Accumulated impairment:		
Balance at the beginning of the year	**87,031**	59,605
Impairment during the year (see note 8)	**1,239**	27,426
At 31 December	**88,270**	87,031
Net book value:		
At 31 December	**476,014**	320,804

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2013 AED'000	*2012 AED'000 (Restated)*	*2011 AED'000 (Restated)*
Investments in associates	**27,771,503**	26,863,009	26,630,755
Investments in joint ventures	**3,561,765**	4,599,623	3,251,523
	31,333,268	31,462,632	29,882,278

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	2013	*2012*
	AED'000	*AED'000*
Balance at the beginning of the year (as previously reported)	**31,462,632**	30,046,784
Change in accounting policy (see note 2.3)	**-**	(164,506)
Balance at the beginning of the year (Restated)	**31,462,632**	29,882,278
Investments made during the year	**77,274**	1,182,513
Arising on account of business combination (see note 10)	**2,869**	-
Share of results of associates and joint ventures (net)	**2,497,841**	2,620,836
Share of results of associates and joint ventures related to a subsidiary held for sale (see note 23(a))	**28,783**	91,545
Dividends received	**(1,163,945)**	(877,878)
Gain on re-measurement of an associate upon its conversion into a subsidiary (see notes 3 and 10(d))	**-**	224,260
Conversion to subsidiary (see note (b) and 10(c))	**(48,899)**	(1,282,930)
Impairment on investments in associates and joint ventures relating to a subsidiary held for sale	**-**	(407,725)
Impairment on investments in associates and joint ventures – net (see note 4)	**(50,025)**	-
Disposal of stake during the year (see note (a))	**(192,957)**	(29,194)
Transfer to assets held for sale (see note 23(a))	**(1,541,155)**	-
Amounts recognised directly in equity		
- Translation difference	**(75,153)**	94,997
- Cumulative changes in fair value	**344,993**	59,942
- Directors' fees	**(3,837)**	(3,210)
- Others	**(5,153)**	(92,802)
At 31 December	**31,333,268**	31,462,632

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

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

Gain on disposal of stake in an indirect associate

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

b) During 2012, one of the related parties of the Group partly repaid its loan to the Group by way of transfer of shares of an investee company (associate of the Group) and hence the Group's stake in the associate increased to more than 50%. As a result of this, ICD obtained control over such investee company and therefore started accounting for such investment as an investment in subsidiary (see note 10(d)).

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc.* AED'000*	*London Stock Exchange plc.** AED'000*
Total assets	64,931,931	113,021,353	39,013,800	24,249,741
Total liabilities	(30,198,939)	(96,946,249)	(16,287,600)	(12,690,448)
Net assets	**34,732,992**	**16,075,104**	**22,726,200**	**11,559,293**
Group's share of net assets	**10,117,644**	**2,963,663**	**3,995,266**	**2,386,994**

The difference between Group's carrying value and Group's share of net assets of above associates predominantly relates to goodwill and intangible assets included in the carrying value.

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

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc. AED'000*	*London Stock Exchange plc. AED'000*
Revenue	10,328,472	5,210,393	11,800,425	6,641,405
Profit for the year	**2,568,136**	**1,473,881**	**1,202,172**	**428,863**
Other comprehensive income for the year	(30,983)	193,807	290,760	651,481
Total comprehensive income for the year	**2,537,153**	**1,667,688**	**1,492,932**	**1,080,344**
Group's share of total comprehensive income for the year	**745,416**	**477,459**	**262,457**	**223,091**
Dividend paid to the Group during the year	**178,964**	**169,795**	**56,911**	**96,605**

The following table summarises the statement of financial position of the Group's material associates as at 31 December 2012:

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc* AED'000*	*London Stock Exchange plc.** AED'000*
Total assets	61,151,191	98,344,127	32,792,025	15,251,250
Total liabilities	(28,331,861)	(86,918,298)	(13,648,950)	(6,699,488)
Net assets	32,819,330	11,425,829	19,143,075	8,551,762
Group's share of net assets	9,558,472	2,628,567	3,441,925	1,765,939

The difference between Group's carrying value and Group's share of net assets of above associates predominantly relates to goodwill and intangible assets included in the carrying value.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

* The assets and liabilities do not include default funds and margin deposits amounting to AED 7,207 million as at 31 December 2013 (2012: AED 768 million) which are included in both assets and liabilities in NASDAQ OMX Group Inc. financial statements.

** The assets and liabilities do not include central counterparty balances amounting to AED 3,410,172 million as at 31 December 2013 (2012: AED 762,433 million) which are included in both assets and liabilities in the London Stock Exchange plc. financial statements.

The following table summarises the income statement of the Group's material associates for the year ended 31 December 2012:

	Emaar Properties PJSC AED'000	*Dubai Islamic Bank PJSC AED'000*	*Nasdaq OMX Group Inc. AED'000*	*London Stock Exchange plc. AED'000*
Revenue	8,239,928	5,231,016	9,408,000	4,116,775
Profit for the year	2,119,124	1,126,564	1,069,777	2,616,653
Other comprehensive income for the year	(284,295)	(34,043)	540,335	456,750
Total comprehensive income for the year	1,834,829	1,092,521	1,610,112	3,073,403
Group's share of total comprehensive income for the year	539,073	325,571	289,498	634,658
Dividend paid to the Group during the year	178,964	141,496	42,683	93,944

d) The following table summarises the Group's share of results in immaterial associates at the year end:

	2013 AED'000	*2012 AED'000*
Profit for the year	**582,503**	496,277
Other comprehensive income for the year	**37,948**	9,362
Group's share of total comprehensive income for the year	**620,451**	505,639
Carrying amount of the Group's interest	**4,043,837**	4,241,275

e) The following table summarises the income statement of the Group's immaterial joint ventures at the year end:

	2013 AED'000	*2012 AED'000*
Profit for the year	**454,844**	418,264
Other comprehensive income for the year	**(27,421)**	(517)
Group's share of total comprehensive income for the year	**427,423**	417,747
Carrying amount of the Group's interest	**3,561,766**	3,531,455

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	2013 AED'000	*2012 AED'000*
Emaar Properties PJSC	**13,672,861**	6,711,156
Dubai Islamic Bank PJSC	**6,067,354**	2,275,257
Commercial Bank of Dubai PSC	**1,932,358**	1,223,011
Emirates Refreshment Company	**32,700**	36,300
Dubai Development Company PSC	**5,600**	5,600
Union Properties PJSC	**-**	625,023
Nasdaq OMX Group Inc. (see note 40.4)	**4,354,875**	2,734,200
London Stock Exchange Plc.	**5,905,725**	3,634,575

The carrying value of the above associates is AED 25,176,502 thousand (2012: AED 24,553,744 thousand).

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

16 INVESTMENTS IN MARKETABLE SECURITIES

	2013 AED'000	*2012 AED'000*
Available-for-sale investments		
Equities – quoted	**5,766,536**	3,104,615
Equities – unquoted	**2,724,988**	2,467,795
Sovereign bonds	**5,958,068**	3,017,800
Corporate bonds	**6,077,144**	7,025,039
Others (including mutual funds)	**1,421,153**	1,849,254
	21,947,889	17,464,503
Held-to-maturity		
Corporate bonds	**779,601**	771,861
Sovereign bonds	**316,818**	455,161
	1,096,419	1,227,022
Fair value through profit or loss		
Equities	**476,160**	332,350
Hybrid instruments	**26,674**	19,983
Sovereign bonds	**151,838**	537,200
Corporate bonds	**873,087**	334,416
Others (including mutual funds)	**1,037,553**	807,949
	2,565,312	2,031,898
Total investments in marketable securities	**25,609,620**	20,723,423

16 INVESTMENTS IN MARKETABLE SECURITIES (continued)

	2013 AED'000	*2012 AED'000*
Disclosed as follows:		
Non-current assets	**21,255,750**	16,109,037
Current assets	**4,353,870**	4,614,386
	25,609,620	20,723,423

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

	2013 AED'000	*2012 AED'000*
Change in fair value of available-for-sale investments recognised in equity	**2,516,216**	692,682
Change in fair value of investments classified as fair value through profit or loss (see note 3)	**106,677**	21,608

The available-for-sale investments include securities with carrying value of AED 67,129 thousand (2012: AED 514,552 thousand) that have been pledged under a repurchase agreement (see note 34).

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

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

	31 December 2012 AED'000	*Financial instruments carried at fair value*		
		Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*
Available for sale investments	17,464,503	11,844,115	2,418,735	3,201,653
Fair value through profit or loss	2,031,898	1,564,542	370,563	96,793
Derivative financial instruments - net (see note 29)	(918,546)	(1,259)	(915,859)	(1,428)
	18,577,855	13,407,398	1,873,439	3,297,018

During the financial year ended 31 December 2013, available-for-sale financial assets with a carrying amount of AED 151 million (2012: AED 821 million) were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities were no longer regularly available. In order to determine the fair value of such debt securities, management used valuation techniques in which all significant inputs were based on observable market data. Also, during 2013, there have been transfers from Level 2 to Level 1 amounting to AED 80 million (2012: AED 175 million) because either the market has become active for such investments or quoted prices for such investments in the market have become available.

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:

	2013 AED'000	*2012 AED'000*
Balance at the beginning of the year	**3,297,018**	3,320,293
Additional investments made during the year	**429,972**	509,665
Return / disposals of investment during the year	**(706,508)**	(582,482)
Fair value movement during the year taken to consolidated income statement	**9,592**	46,718
Fair value movement during the year taken to equity	**(18,465)**	(10,918)
Net transfers to Level 3	**273,541**	13,742
At 31 December	**3,285,150**	3,297,018

17 OTHER NON-CURRENT ASSETS

	2013 AED'000	*2012 AED'000*
Loans to / receivables from Government, MOF and other related parties (see notes 17.1 and 36)	**11,139,583**	9,612,367
Loans to / receivables from associates and joint ventures (see note 36)	**95,554**	7,339,698
Fair value of guarantee from a related party (see notes 17.2 and 36)	**2,000,000**	1,639,335
Advance lease rentals (see note 17.3)	**872,901**	791,613
Long term retentions	**454,558**	281,234
Other receivables	**895,180**	1,834,996
	15,457,776	21,499,243
Less: provision for impairment (see note 17.4)	**(520,013)**	(520,013)
	14,937,763	20,979,230

17.1 One of the subsidiaries of the Group is required to provide retail gasoline at a fixed price in the UAE. Included in the amounts receivable from related party is an amount of AED 10,053,723 thousand (2012: AED 7,941,675 thousand) due from the Government representing receivable in respect of such cost overrun of which cost overrun for 2013 is AED 2,412,270 thousand (2012: AED 2,555,228 thousand) and the balance amount due in respect of cost overruns for previous years since 2008, under the terms of a government grant. Accordingly, an amount of AED 2,412,270 thousand (2012: AED 2,555,228 thousand) has been adjusted against product purchases (cost of revenue) in the consolidated income statement (see note 36). The outstanding receivable is subject to interest at the rate of EIBOR plus 150 basis points per annum. The interest on outstanding receivable for the year ended 31 December 2013 amounted to AED 238,875 thousand (2012: AED 202,125 thousand).

17.2 In connection with the acquisition of Dubai Bank, the Government has provided a guarantee for any losses at the date of the acquisition and any future losses relating to the assets and liabilities that existed on the date of acquisition for the next 7 years (onwards from the date of acquisition). An amount of AED 768 million represented the fair value of the guarantee as at the date of the acquisition.

The fair value of the guarantee has increased by AED 361 million (2012: AED 871 million), primarily because of the increase in impairment provision on the assets of Dubai Bank, during 2012 and 2013, that existed as at the date of acquisition.

17 OTHER NON-CURRENT ASSETS (continued)

17.3 Movement in advance lease rentals:

	2013 *AED'000*	*2012* *AED'000*
Balance at the beginning of the year	**943,942**	533,467
Additions during the year	**255,112**	524,114
Charge for the year (see note 8)	**(161,901)**	(115,361)
Translation differences	**(920)**	1,722
At 31 December	**1,036,233**	943,942

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

	2013 *AED'000*	*2012* *AED'000*
Within one year (see note 19)	**163,332**	152,329
After one year	**872,901**	791,613
	1,036,233	943,942

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

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

	2013 *AED'000*	*2012* *AED'000*
Balance at the beginning of the year	**520,013**	918,750
Reversal of provision for impairment on amount due from a related party (see note 4)	**-**	(398,737)
At 31 December	**520,013**	520,013

18 INVENTORIES

	2013 *AED'000*	*2012* *AED'000*
Finished goods / inventory property	**6,855,906**	5,033,716
Raw materials	**1,404,106**	2,789,119
Spare parts and consumables	**911,636**	1,346,637
Work-in-progress	**400,766**	910,642
Engineering	**668,096**	616,363
Goods in-transit	**1,988**	324,819
Consumer goods	**328,960**	290,059
Others	**196,489**	198,257
	10,767,947	11,509,612
Less: provision for slow moving inventories	**(169,437)**	(358,290)
	10,598,510	11,151,322

19 TRADE AND OTHER RECEIVABLES

	2013 *AED'000*	*2012* *AED'000*
Trade receivables	**13,013,929**	12,792,110
Contract receivables	**16,865**	38,620
Retentions receivable - current portion	**52,474**	54,348
Prepayments and other receivables	**5,828,139**	3,759,266
Amounts receivable from Government, MOF and other related parties (see note 36)	**8,254,000**	7,823,540
Amounts receivable from associates and joint ventures (see note 36)	**1,097,710**	1,007,188
Accrued interest receivable	**2,073,894**	1,574,050
Advances to suppliers	**67,347**	345,139
Operating lease deposits	**600,625**	692,152
Advance lease rentals (see note 17.3)	**163,332**	152,329
	31,168,315	28,238,742
Less: provision for impairment of receivables (see note below)	**(507,050)**	(565,169)
	30,661,265	27,673,573

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

	2013 *AED'000*	*2012* *AED'000*
Balance at the beginning of the year	**565,169**	406,365
Charge for the year (see note 4)	**144,617**	215,188
Amounts written off	**(85,001)**	(32,198)
Reversal during the year (see note 4)	**(107,699)**	(100,306)
Arising on acquisition of subsidiaries	**-**	77,605
Transfer to asset held for sale	**(9,456)**	-
Translation differences	**(580)**	(1,485)
At 31 December	**507,050**	565,169

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

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	2013 *AED'000*	*2012* *AED'000*
Murabaha	**18,763,490**	14,440,870
Ijara	**12,084,157**	11,522,578
Wakala	**7,498,974**	5,998,426
Istisna'a	**1,227,003**	1,294,979
Secured overdraft and credit cards receivable	**859,108**	824,916
Others	**1,610,960**	1,482,795
	42,043,692	35,564,564
Less: Deferred income	**(2,200,957)**	(1,347,338)
Less: Allowance for impairment (see note below)	**(3,427,860)**	(2,085,951)
	36,414,875	32,131,275

20 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

Islamic financing and investment products include AED 1,168,232 thousand (2012: AED 1,064,066 thousand) due from Government, MOF and other related parties and AED 2,708,467 thousand (2012: AED 284,506 thousand) due from associates and joint ventures (see note 36).

Corporate Ijara assets amounting to AED 3.7 billion (2012: AED 3.7 billion) were securitised for the purpose of issuance of Sukuks (see note 21).

	2013	2012
	AED'000	*AED'000*
Analysis by economic activity:		
Services and personal loans	**20,018,523**	16,117,771
Construction	**9,238,544**	9,383,876
Trade	**1,901,555**	1,124,815
Financial services	**8,116,660**	5,772,490
Transport and communication	**306,469**	196,213
Manufacturing	**755,882**	852,248
Agriculture and allied activities	**7,560**	28,568
Others	**1,698,499**	2,088,583
	42,043,692	35,564,564
Less: Deferred income	**(2,200,957)**	(1,347,338)
Less: Allowance for impairment (see note below)	**(3,427,860)**	(2,085,951)
	36,414,875	32,131,275
Disclosed as follows:		
Non-current assets	**22,793,942**	20,331,166
Current assets	**13,620,933**	11,800,109
	36,414,875	32,131,275

Movement in allowance for impairment:

	2013	2012
	AED'000	*AED'000*
Balance at the beginning of the year	**2,085,951**	1,423,180
Allowance for impairment made during the year (see note 4)	**1,287,475**	673,497
Write-offs during the year	**(11,291)**	(10,726)
Transfer from allowance for impairment against loans and receivables (see note 21)	**65,725**	-
At 31 December	**3,427,860**	2,085,951

21 LOANS AND RECEIVABLES

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

	2013 AED'000	*2012 AED'000*
Overdrafts	**100,258,999**	84,326,516
Time loans	**101,060,092**	98,186,564
Loans against trust receipts	**4,629,788**	3,247,580
Bills discounted	**5,512,038**	2,777,797
Credit card receivables	**4,029,428**	3,196,867
Others	**1,118,074**	597,809
	216,608,419	192,333,133
Other debt instruments	**255,173**	416,549
Less: allowance for impairment (see note below)	**(17,338,010)**	(14,509,232)
Net loans and receivables	**199,525,582**	178,240,450
Disclosed as follows:		
Non-current assets	**71,590,011**	72,644,622
Current assets	**127,935,571**	105,595,828
Net loans and receivables	**199,525,582**	178,240,450
Total of impaired loans and receivables	**29,629,788**	28,716,741

Loans and receivables include AED 91,961,293 thousand (2012: AED 77,646,826 thousand) due from Government, MOF and other related parties and AED 45,619 thousand (2012: AED 3,176,533 thousand) due from associates and joint ventures (see note 36).

	2013 AED'000	*2012 AED'000*
Analysis by segment:		
Corporate banking	**175,179,121**	159,432,746
Consumer banking	**23,758,807**	18,071,396
Treasury	**22,920**	171,000
Others	**564,734**	565,308
	199,525,582	178,240,450
Analysis by economic activity:		
Services	**31,666,810**	41,327,226
Personal	**31,738,332**	28,152,267
Sovereign	**90,251,554**	73,865,685
Construction	**40,191,349**	28,977,149
Manufacturing	**6,535,350**	5,181,834
Trade	**8,771,954**	6,286,530
Transport and communication	**2,359,101**	2,797,857
Mining	**453,443**	231,871
Agriculture and allied activities	**13,612**	15,070
Others	**4,882,087**	5,914,193
Loans and receivables before allowance for impairment	**216,863,592**	192,749,682
Less: allowance for impairment (see note below)	**(17,338,010)**	(14,509,232)
Net loans and receivables	**199,525,582**	178,240,450

21 LOANS AND RECEIVABLES (continued)

Movement in allowance for impairment

	2013	2012
	AED'000	AED'000
Balance at the beginning of the year	**14,509,232**	11,484,232
Allowance for impairment made during the year (net of recoveries of AED 194,834 thousand (2012: AED 980,657 thousand)) (see note 4)	**3,114,744**	3,180,719
Amounts written-off during the year	**(127,733)**	(73,586)
Interest unwind on impaired loans and receivables	**(93,387)**	(86,423)
Transfer to allowance for impairment against Islamic financing and investment products (see note 20)	**(65,725)**	-
Other transfers	**879**	4,290
At 31 December	**17,338,010**	14,509,232

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

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

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

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

Since the Bank is exposed to a majority of ownership risks and rewards of SPEs, these SPEs are consolidated in compliance with IFRS 10.

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

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

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

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

21 LOANS AND RECEIVABLES (continued)

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

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

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

As at 31 December 2013, the auto loans and receivables balance transferred to APC is AED 806 million (2012: AED 968 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 628 million (2012: AED 810 million).

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

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

Since the Bank is exposed to a majority of ownership risks and rewards of this section of the Multi-seller SPE, the Bank's tranche in the SPE is consolidated in compliance with IFRS 10.

As at 31 December 2013, the corporate loans and receivables balance transferred to Multi-seller SPE is AED 464 million (2012: AED 677 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 464 million (2012: AED 674 million).

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

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

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

22 CASH AND DEPOSITS WITH BANKS

	2013 AED'000	2012 AED'000 (Restated)	2011 AED'000 (Restated)
Banking operations			
Cash and deposits with Central Bank of UAE ("Central Bank")			
Cash	**3,635,096**	2,497,248	1,977,954
Interest bearing placements with Central Bank	**2,132,400**	4,750,763	1,214,665
Interest free statutory and special deposits with Central bank (see note below)	**18,965,026**	14,318,851	12,633,518
Interest bearing certificates of deposits with Central bank (see note below)	**13,622,475**	9,205,000	5,700,000
Total (A)	**38,354,997**	30,771,862	21,526,137
Due from other banks			
Overnight, call and short notice	**10,184,751**	5,938,664	8,213,309
Time loans	**10,438,041**	11,574,030	11,669,283
Less: allowance for impairment	**(35,630)**	(34,247)	(31,013)
Total (B)	**20,587,162**	17,478,447	19,851,579
Total (C = A+B)	**58,942,159**	48,250,309	41,377,716
Non-banking operations			
Cash at banks and in hand	**5,167,801**	4,721,100	3,094,446
Placements with banks and other financial institutions	**915,450**	909,665	497,437
Short-term deposits	**28,538,739**	21,090,819	17,164,289
Total (D)	**34,621,990**	26,721,584	20,756,172
Total (C+D)	**93,564,149**	74,971,893	62,133,888
Disclosed as follows:			
Non-current assets	**3,563,511**	2,495,055	1,925,820
Current assets	**90,000,638**	72,476,838	60,208,068
	93,564,149	74,971,893	62,133,888

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

	2013 AED'000	2012 AED'000	2011 AED'000
Cash and deposits with banks - current	**90,000,638**	72,476,838	60,208,068
Islamic financing and investment products with original maturity of less than three months	**480,566**	559,122	1,834,995
Due to banks (see note 28)	**(23,637,377)**	(22,168,827)	(26,105,233)
Bank overdrafts (see note 28)	**(350,297)**	(950,493)	(604,188)
	66,493,530	49,916,640	35,333,642
Due to banks with original maturity of more than three months	**2,496,479**	3,488,493	3,707,765
Deposits with Central Bank for regulatory purposes	**(18,965,026)**	(14,318,851)	(12,633,518)
Interest bearing certificates of deposits with Central Bank with original maturity of more than three months	**(4,901,993)**	(6,250,000)	(5,700,000)
Deposits with other banks with original maturity of more than three months	**(29,944,094)**	(20,223,957)	(12,040,628)
	15,178,896	12,612,325	8,667,261

22 CASH AND DEPOSITS WITH BANKS (continued)

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

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

a) Dubai Aluminium

On 3 June 2013, Dubal Holding LLC ("Dubal Holding"), a wholly owned subsidiary of the Group, and MDC Industry Holding Company LLC ("MDC Holding") entered into a combination agreement pursuant to which Dubal Holding and MDC Holding agreed to create Emirates Global Aluminium PJSC ("EGA") a jointly-held, equal ownership company that will integrate the business of Dubai Aluminium ("DUBAL"), a wholly owned subsidiary of the Group, and Emirates Aluminium Company Limited PJSC ("EMAL"), a joint venture of the Group, referred as the "Transaction".

Following the finalisation of various regulatory clearances and the satisfaction of certain other conditions precedent, the Transaction has already been completed subsequent to the year end (see note 41). Pursuant to this, DUBAL was classified as a disposal group held for sale in the consolidated statement of financial position and presented as a discontinued operation in the consolidated income statement.

The results of the discontinued operations of DUBAL included in the profit for the year are set out below:

	2013 AED' million	*2012 AED' million*
Revenue	**9,500**	9,768
Cost of revenues	**(7,415)**	(7,658)
Other income	**162**	304
General, administrative and other expenses	**(753)**	(732)
Net impairment losses on financial assets	**(6)**	(418)
Other finance income	**338**	275
Other finance costs	**(62)**	(60)
Share of results of associates and joint ventures (see note 15)	**29**	92
Profit for the year before income tax from discontinued operations	**1,793**	1,571
Income tax expense	**(2)**	8
Profit for the year from discontinued operations	**1,791**	1,579

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

Net cash generated from operating activities	**2,323**	2,987
Net cash used in financing activities	**(4,665)**	(243)
Net cash generated from / (used in) investing activities	**2,046**	(6,156)

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

a) Dubai Aluminium (continued)

The major classes of assets and liabilities of disposal group classified as held for sale at 31 December are, as follows:

	2013 *AED' million*
Property, plant and equipment (see note 11)	**11,473**
Investments in associates and joint ventures (see note 15)	**1,541**
Other non-current assets	**4,669**
Cash and deposits with banks	**325**
Positive fair value of derivatives	**3**
Deferred tax asset	**4**
Inventories	**2,160**
Trade and other receivables	**1,450**
Assets of disposal group classified as held for sale	**21,625**
Employees' end of service benefits (see note 27)	**(187)**
Borrowings and lease liabilities	**(2,224)**
Negative fair value of derivatives	**(11)**
Other non-current payables	**(280)**
Trade and other payables	**(1,127)**
Liabilities of disposal group classified as held for sale	**(3,829)**
Net assets directly associated with disposal group classified as held for sale	**17,796**

b) Alpha Flight Group Limited (United Kingdom)

On 1 October 2012, Alpha and LSG / SkyChefs Europe Holdings Ltd. ("LSG") set up a jointly controlled entity, Alpha LSG Limited in the United Kingdom, to combine their in-flight catering businesses. Alpha transferred its UK business owned by Alpha Flight Group United Kingdom Limited to the jointly controlled entity. The transferred business was classified as a discontinued operation. The interest in Alpha LSG is accounted for as a joint venture.

The combination of Alpha and LSG's UK in-flight catering business would allow the new joint venture to provide sustainable services to existing and potential customers in the United Kingdom. It would also enable the joint venture to better compete with new entrants by providing a high quality product and service at competitive prices to customers.

c) Alpha Flight Services BV, Netherlands:

On 25 October 2012, Alpha sold its equity stake in Alpha Flight Services BV, Netherlands to Gate Gourmet Holding Netherlands BV. This disposal is consistent with dnata's strategy of focusing on markets that offer high growth opportunities at reasonable profit margins.

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

c) Alpha Flight Services BV, Netherlands: (continued)

Effect of disposal of Alpha Flight Group Limited (United Kingdom) and Alpha Flight Services BV, Netherlands

The combined results of the discontinued operations of Alpha Flight Group Limited (United Kingdom) and Alpha Flight Services BV, Netherlands included in the profit for the year are set out below:

Profit from discontinued operations

	2012 *AED' million*
Revenue	946
Cost of revenue / other expenses	(900)
Profit for the year before income tax from discontinued operations	46
Income tax expense	(13)
Net gain on disposal (see note below)	7
Profit for the year from discontinued operations	40
Net cash generated from operating activities	82
Net cash generated from investing activities	-
Net cash used in financing activities	(76)

The major classes of assets and liabilities of disposal group classified as held for sale at 31 December are, as follows:

	2012 *AED' million*
Property, plant and equipment (see note 11)	145
Intangible assets (see note 12)	95
Deferred tax asset	1
Trade and other receivables	31
Employees' end of service benefits (see note 27)	(4)
Deferred tax liability	(14)
Trade and other payables	(47)
Net assets directly associated with disposal group	207

	2012 *AED' million*
Net consideration:	
Equity shares in joint venture	99
Receivable from joint venture	106
Cash and cash equivalents	22
Total consideration	227
Net assets directly associated with disposal group	(207)
Gain on sale of discontinued operations	20
Disposal cost	(13)
Net gain on sale of discontinued operations	7

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

d) Dubai Aerospace Enterprise Flight Academy ("DAE Flight Academy"):
During the prior years, the investment committee of one of the subsidiaries of the Group (acquired by the Group in 2012) passed a resolution to discontinue the operations of DAE Flight Academy (one of its subsidiaries).

There is no impact of this discontinued operation on the consolidated income statement.

The major classes of assets and liabilities of disposal group classified as held for sale at 31 December are, as follows:

	2012 *AED' million*
Assets of disposal group classified as held for sale	
Intangible assets	10
Liabilities of disposal group classified as held for sale	
Trade and other payables	10

In 2013, the Group has written off DAE Flight Academy's intangible assets against related provision included under trade and other payables, as the Group does not anticipate any future benefits from the asset due to a lack of prospective buyers.

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:

	2013 ***AED'000***	*2012* *AED'000*
Balance at the beginning of the year	**64,534,449**	64,253,449
Increase in capital during the year	-	281,000
At 31 December	**64,534,449**	64,534,449

25 DISTRIBUTION TO THE GOVERNMENT

The distributions totalling AED 2,233,182 thousand (2012: AED 1,166,933 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 2013 (Restated)	1,668,262	1,482,398	9,179,316	17,267	3,350,027	309,247	9,141	(856,481)	(178,388)	14,980,789
Unrealised gain on available-for-sale investments	-	-	-	-	2,024,295	-	-	-	-	2,024,295
- ICD and its subsidiaries	-	-	-	-	314,099	-	-	-	-	314,099
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Gain on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	507,426	-	-	-	-	507,426
- Associates and joint ventures	-	-	-	-	21,520	-	-	-	-	21,520
Foreign currency translation differences										
- ICD and its subsidiaries	-	-	-	-	-	-	-	(46,443)	-	(46,443)
- Associates and joint ventures	-	-	-	-	-	-	-	(80,848)	-	(80,848)
Total income and expense for the year recognised directly in equity	-	-	-	-	2,867,340	-	-	(127,291)	-	2,740,049
Reserves of a disposal group classified as held for sale	-	-	-	-	(2,378,077)	-	-	-	-	(2,378,077)
Transfer from / (to) retained earnings	300,818	(577)	-	-	-	-	1,168	-	(8,048)	293,361
Change in ownership	-	(2,194)	-	-	-	-	-	-	(55)	(2,249)
Other movements (net)	2,314	24,444	-	-	5,601	-	-	(71,205)	9,915	(28,931)
Total at 31 December 2013	**1,971,394**	**1,504,071**	**9,179,316**	**17,267**	**3,844,891**	**309,247**	**10,309**	**(1,054,977)**	**(176,576)**	**15,604,942**

26 OTHER RESERVES (continued)

	Legal and statutory reserve 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 2012 previously reported	1,362,495	459,452	8,444,933	17,267	3,053,586	309,247	8,109	(924,576)	(185,618)	12,544,895
Change in accounting policy (see note 2.3)	-	-	-	-	(19,479)	-	-	-	-	(19,479)
Balance at 1 January 2012 (Restated)	1,362,495	459,452	8,444,933	17,267	3,034,107	309,247	8,109	(924,576)	(185,618)	12,525,416
Unrealised gain on available-for-sale investments										
- ICD and its subsidiaries	-	-	-	-	501,379	-	-	-	-	501,379
- Associates and joint ventures	-	-	-	-	55,178	-	-	-	-	55,178
(Loss) / gain on hedging instruments (net)										
- ICD and its subsidiaries	-	-	-	-	(394,455)	-	-	-	-	(394,455)
- Associates and joint ventures	-	-	-	-	14,199	-	-	-	-	14,199
Foreign currency translation differences										
- ICD and its subsidiaries	-	-	-	-	-	-	-	100,698	-	100,698
- Associates and joint ventures	-	-	-	-	-	-	-	74,796	-	74,796
Total income and expense for the year recognised directly in equity	-	-	-	-	176,301	-	-	175,494	-	351,795
Transfer from / (to) retained earnings	305,627	1,000,559	-	-	(3,394)	-	1,032	(5)	(2,767)	1,301,052
Change in ownership	140	26,041	734,383	-	143,013	-	-	(107,394)	(2,963)	793,220
Other movements (net)	-	(3,654)	-	-	-	-	-	-	12,960	9,306
Total at 31 December 2012	1,668,262	1,482,398	9,179,316	17,267	3,350,027	309,247	9,141	(856,481)	(178,388)	14,980,789

26 OTHER RESERVES (continued)

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

Capital reserve
Capital reserve includes AED 1,447,234 thousand (2012: AED 1,447,234 thousand) in respect of the Group's share of reserve capitalised by two subsidiaries. The capital reserve is non-distributable.

Merger reserve
Merger reserve mainly includes amounts relating to:

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

In 2007, the Government transferred the ownership of Dubai Financial Market ("DFM") (80% shareholding) and NASDAQ Dubai Limited ("NASDAQ Dubai") (formerly Dubai International Financial Exchange Limited) (100% shareholding) to Borse Dubai Limited ("Borse Dubai"), without any consideration. This transaction was a common control transaction and was accounted for using the pooling of interest method. Since no consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai, the entire amount of issued and paid up share capital of the two entities was recognised as a merger reserve in equity in these consolidated financial statements. Further during 2012, the Group's stake in Borse Dubai increased from 79.43% to 89.72% resulting in an increase of AED 734,383 thousand in the merger reserve.

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

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

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

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

27 EMPLOYEES' END OF SERVICE BENEFITS

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

	2013 ***AED'000***	*2012* *AED'000*
Balance at beginning of the year	**1,548,695**	1,406,654
Provision made during the year	**859,973**	801,150
End of service benefits paid	**(643,925)**	(662,533)
On disposal of an indirect subsidiary (see note 23(c))	-	(4,048)
Actuarial loss on defined benefit plan	**315,858**	-
Arising on business combination (see note 10)	-	6,527
Other movements	**(35,491)**	945
Transfer to liabilities directly associated with disposal group classified as held for sale (see note 23(a))	**(186,808)**	-
At 31 December	**1,858,302**	1,548,695
Less: current portion	**(1,223)**	(1,342)
Non-current portion	**1,857,079**	1,547,353

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.

Employees' end of service benefits
The end of service benefit provision relates to employees who do not participate in the Provident Scheme or the UAE Government's pension fund.

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 2013, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 4.5% - 5% (2012: 4.5% - 5%) per annum and a discount rate of 4.75% - 5% (2012: 4% - 5%) per annum. The present values of the defined benefit obligations at 31 December 2013 were computed using the actuarial assumptions set out above.

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

	2013 ***AED'000***	*2012* *AED'000*
Present value of funded defined benefit obligations	**2,150,697**	1,572,433
Less: Fair value of plan assets (see note below)	**(2,033,861)**	(1,510,526)
	116,836	61,907
Present value of unfunded defined benefit obligations	**1,741,466**	1,486,788
Employees' end of service benefits provision	**1,858,302**	1,548,695

27 EMPLOYEES' END OF SERVICE BENEFITS (continued)

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

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

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

	2013	*2012*
	AED'000	*AED'000*
At the beginning of the year	**1,510,526**	1,274,934
Contributions made	**279,889**	255,003
Benefits paid	**(89,070)**	(117,950)
Change in fair value	**156,155**	104,502
Other movements	**176,361**	(5,963)
At 31 December	**2,033,861**	1,510,526

The Group expects to contribute approximately AED 272 million for existing plan members during the year ending 31 December 2014.

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

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

28 BORROWINGS AND LEASE LIABILITIES

	2013 AED'000	*2012 AED'000*
Banking operations		
Non-current liabilities		
Debts issued and other borrowed funds	**16,076,321**	12,764,372
Sukuk payable (Bonds)	**3,667,360**	3,673,000
(A)	**19,743,681**	16,437,372
Current liabilities		
Due to banks (see note 22)	**23,637,377**	22,168,827
Debts issued and other borrowed funds	**4,034,371**	4,426,420
(B)	**27,671,748**	26,595,247
Total (C=A+B)	**47,415,429**	43,032,619
Non-banking operations		
Non-current liabilities		
Bonds	**10,868,189**	5,195,257
Bank borrowings	**27,474,443**	17,936,222
Loan from Government, MOF and other related parties	**10,765,052**	14,214,095
Finance lease liabilities	**26,256,607**	23,468,057
Loans from associates and joint ventures	**3,137,636**	1,893,634
(D)	**78,501,927**	62,707,265
Current liabilities		
Bank borrowings	**9,167,737**	14,088,710
Finance lease liabilities	**2,941,519**	2,347,123
Bank overdrafts (see note 22)	**350,297**	950,493
Loans from associates and joint ventures	**83,152**	1,297,292
Bonds	**5,503,861**	6,659,350
Loans from Government, MOF and other related parties	**4,000,009**	579,324
(E)	**22,046,575**	25,922,292
Total (F=D+E)	**100,548,502**	88,629,557

	2013 AED'000	*2012 AED'000*
Disclosed as follows:		
Non-current liabilities (A+D)	**98,245,608**	79,144,637
Current liabilities (B+E)	**49,718,323**	52,517,539
	147,963,931	131,662,176

28 BORROWINGS AND LEASE LIABILITIES (continued)

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

2013

	Notes	*Year of maturity*	*AED'000*
Debts issued and other borrowed funds	28(a)	2014-2023	**20,110,692**
Due to banks (see note 22)	28(b)	2014	**23,637,377**
Bank borrowings	28(c)	2014-2025	**36,642,180**
Loans from Government, MOF and other related parties (see note 36)	28(d)	various up to 2018	**14,765,061**
Loans from associates and joint ventures (see note 36)	28(e)	various up to 2024	**3,220,788**
Bonds (including sukuk)	28(f)	various up to 2025	**20,039,410**
Finance lease liabilities	28(g)	2014-2022	**29,198,126**
Bank overdrafts (see note 22)		2014	**350,297**
			147,963,931

2012

	Notes	*Year of maturity*	*AED'000*
Debts issued and other borrowed funds	28(a)	2013-2022	17,190,792
Due to banks (see note 22)	28(b)	2013	22,168,827
Bank borrowings	28(c)	2013-2017	32,024,932
Loans from Government, MOF and other related parties (see note 36)	28(d)	various upto 2015	14,793,419
Loans from associates and joint ventures (see note 36)	28(e)	various upto 2024	3,190,926
Bonds (including sukuk)	28(f)	various upto 2017	15,527,607
Finance lease liabilities	28(g)	2013-2022	25,815,180
Bank overdrafts (see note 22)		2013	950,493
			131,662,176

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

a) Debts issued and other borrowed funds

	2013 ***AED'000***	*2012* *AED'000*
Medium-term note programme *	**14,320,272**	13,830,670
Term loans from banks	**2,938,000**	-
Borrowing raised from loan securitisation (see note 21)	**2,852,420**	3,360,122
	20,110,692	17,190,792

*Includes Tier 2 notes amounting to AED 4,203 million (2012: AED 1,934 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:

	2013 AED in millions	*2012 AED in millions*
2013	**-**	4,426
2014	**4,034**	1,477
2015	**1,157**	1,276
2016	**4,492**	1,513
2017	**4,018**	4,103
2018	**1,199**	2,563
2019	**43**	26
2020	**226**	180
2022	**817**	1,627
2023	**4,125**	-
	20,111	17,191

The effective interest rate paid on the above averaged 3.3% per annum (2012: 2.8% per annum)

b) Due to banks

These balances comprise demand and call deposits of AED 818,983 thousand (2012: AED 33,603 thousand), balances with correspondent banks of AED 1,217,225 thousand (2012: AED 1,632,166 thousand), time and other deposits of AED 19,739,546 thousand (2012: AED 20,503,058 thousand). These balances also include current account with Central bank of AED 1,861,623 thousand (2012: Nil) received by the Group's banking operations from other banks.

The interest rates paid on the above averaged 1.4% per annum (2012: 1.2% per annum).

c) Bank borrowings

Bank borrowings include:

- AED 642,775 thousand and USD 150,000 thousand representing separate AED and USD portions respectively, as at 31 December 2013 are Murabaha syndicated facilities. These facilities are repayable in 2018 and carry profit at the rate of 2.15% over EIBOR and LIBOR on AED and USD denominated borrowings respectively.

- AED 2,387,450 thousand and USD 725,000 thousand representing separate AED and USD portions respectively, as at 31 December 2013 are conventional syndicated facilities. These facilities are repayable in 2018 and carry interest at the rate of 2.15% over EIBOR and LIBOR on AED and USD denominated borrowings respectively.

- AED 550,950 thousand as at 31 December 2013 is Ijara syndicated Facility and is repayable in 2018 carrying profit at the rate of 2.15% over EIBOR.

- AED 8,480,820 thousand (2012: AED 7,864,011 thousand) at rates ranging from 2.2% to 2.9% per annum (2012: 2.8% to 3.2 % per annum). These borrowings are secured against applicable property, plant and equipment and assignment of insurance. The carrying values of the borrowings are primarily denominated in USD or currencies pegged to USD. Contractual repricing dates are set at the option of the Group on the basis of 1, 3 or 6 months LIBOR / EIBOR.

28 BORROWINGS AND LEASE LIABILITIES (continued)

c) Bank borrowings (continued)

- AED 10,699,745 thousand (2012: AED 9,089,473 thousand) are term loan facilities having repayment terms between two to twelve years, with principal repayment either in instalments or as a balloon payment at the end of the term of the facility. The rates on the facilities for the year are either fixed with a range of 2.41% to 9.25% per annum (2012: 2.41% to 7.75% per annum) or variable rates based on LIBOR plus a spread of 0.27% to 4.75% per annum (2012: 0.27% to 4.75%).
- USD 833,000 thousand (2012: USD 833,000 thousand) and AED 183,650 (2012: AED 918,300 thousand) being bilateral facilities carrying interest rate of 2.95% per annum over LIBOR and EIBOR on the USD and AED facility respectively. These facilities are from various financial institutions and are repayable upto 2017. During 2013, bilateral facilities amounting to AED 734,650 thousand originally repayable in 2017 were repaid.
- AED 5,463,283 thousand (2012: AED 1,401,673 thousand) are syndicated facilities from international, regional and local banks. These loans carry interest payable on quarterly basis at LIBOR and EIBOR for USD and AED borrowings respectively and is repayable over the period of six years.
- USD 167,000 thousand and AED 306,083 thousand being an Islamic Commodity Syndicated Facility ("ICSF") as at 31 December 2012 was repaid in August 2013 and carried a profit rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively.
- USD 1,041,621 thousand and AED 459,125 thousand being Conventional Syndicated Facility ("CSF") as at 31 December 2012 was repaid in August 2013 and carried an interest rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively.
- Other borrowings are primarily unsecured, and contain various banking covenants, which were complied with as at the year end.

d) Loans from Government, MOF and other related parties

Borrowings under this category include:

- AED 4 billion (2012: AED 4 billion) at interest rate of 6.45% per annum obtained in prior years from the Government; this has been subsequently settled in 2014 (see note 41).
- USD 2.5 billion (2012: USD 2.5 billion) at interest rate of 4.5% per annum payable on quarterly basis, obtained in prior years from the MOF. This loan is repayable in February 2015.
- AED 800,000 thousand (2012: AED 800,000 thousand) is a Wakala deposit by the Department of Finance of the Government that carries a profit rate of 2.5% per annum and is repayable on 1 January 2016.
- AED 550,950 thousand as at 31 December 2013 is part of a Murabaha syndicated facility repayable in 2018 and carry profit at the rate of 2.15% over EIBOR.
- AED 579,324 thousand as at 31 December 2012 was an unsecured loan from the Department of Finance of the Government which carried a profit rate of 0.60% over EIBOR. This loan was repaid in 2013.

28 BORROWINGS AND LEASE LIABILITIES (continued)

e) Loans from associates and joint ventures

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

- AED 550,950 thousand as at 31 December 2013 is part of a Conventional syndicated facility repayable in 2018 and carries interest at the rate of 2.15% over EIBOR.
- AED 734,600 thousand as at 31 December 2013 is a part of Ijara syndicated facility repayable in 2018 and carries profit at the rate of 2.15% over EIBOR.
- AED 105,840 thousand being a Murabaha facility repayable in monthly instalments upto March 2025, carries fixed profit at the rate of 6.75%.
- AED 152,000 thousand (2012: AED 161,000 thousand) being a Mudaraba financing arrangement which carries a profit mark up and is repayable in December 2016.
- AED 857,034 thousand (2012: AED 857,034 thousand) being an Ijara bilateral facility borrowed in 2012, which is repayable in February 2017. This facility carries a profit rate of 2.50% over EIBOR.
- AED 517,440 thousand (2012: AED 554,000 thousand) being an Ijara facility repayable over the term upto 2024 and carries profit rate of 3.25% over EIBOR.
- AED 275,304 thousand (2012: AED 275,304 thousand) being a Murabaha facility, which is repayable in July 2015 and carries profit rate of 1.25% over EIBOR.
- 31 December 2012 figure includes AED 612,167 thousand (2012: AED 612,167 thousand) being an Islamic Commodity Syndicated Facility (“ICSF”). This facility is repaid in 2013 and carried a profit rate of 1.5% over EIBOR.
- 31 December 2012 figure includes AED 612,167 thousand (2012: AED 612,167 thousand) being Sharikat Al Melk Facilities (“SAMF”). This facility is repaid in 2013 and carried a profit rate of 1.5% over EIBOR.
- Other borrowings from associates and joint ventures are primarily unsecured, and contain various banking covenants, which were complied with as at the year end.

f) Bonds (including Sukuk)

	2013 AED’000	*2012 AED’000*
Bonds are denominated in the following currencies:		
US Dollars (refer (i))	**14,503,420**	8,448,500
UAE Dirhams (refer (ii) and (iii))	**5,160,186**	6,659,785
Singapore Dollars (refer (iv))	**435,362**	450,713
	20,098,968	15,558,998
Less: transaction costs	**(59,558)**	(31,391)
	20,039,410	15,527,607

The effective interest rate on bonds is 3.24% (2012: 3.56%).

i) USD bonds include:

- bonds amounting to AED 3,673,000 thousand (2012: AED 3,673,000 thousand) carrying a fixed interest rate of 5.125% per annum over their term and are repayable in June 2016.
- Islamic bonds (Sukuk) amounting to USD 1 billion were raised during the year 2013 carrying a fixed profit rate of 3.875% per annum over their term. The repayments are semi-annual commencing from September 2013 and will be fully repaid by March 2023.
- Conventional bonds amounting to USD 750 million were raised during the year 2013 carrying a fixed interest rate of 4.5 % over their term. The repayments are semi-annual commencing from February 2015 and will be fully repaid by February 2025.

28 BORROWINGS AND LEASE LIABILITIES (continued)

f) Bonds (including Sukuk) (continued)

i) USD bonds include: (continued)

- USD 300 million of senior unsecured notes (the "Notes") that were issued by DAE Engineering (an indirect subsidiary of the Group) at 97.45% and with a face interest rate of 11.25%, maturing on 1 August 2015. At any time on or after 1 August 2012, DAE Engineering may redeem any portion of the Notes at pre-determined premiums plus accrued and unpaid interest to the redemption date. The pre-determined redemption price was 102.81% in 2012. On 31 December 2012, DAE Engineering redeemed USD 25 million of the Notes for a price of USD 25.7 million. As of 1 August 2013, the predetermined price for the Notes is 100% and will remain at 100% until maturity. The original issue discount is being amortised using the effective interest method.

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

ii) UAE Dirham bonds include AED 5,160,186 thousand (2012: AED 4,923,285 thousand) payable to bond holders of one of the subsidiaries of the Group which is a Shari'a compliant open ended investment fund. These bonds were offered under the prospectus issued by the subsidiary of the Group and have a face value of AED 10 per bond and are repayable on demand of the bond holders.

UAE dirham bonds amounting to AED 1,736,500 thousand as at 31 December 2012 were based on six month EIBOR plus 65 bps and have been repaid in 2013.

iii) Singapore Dollar bonds amounting to AED 435,362 thousand (2012: AED 450,713 thousand) carry a fixed interest rate of 4.64% per annum over its term and are repayable in June 2016.

g) Finance lease liabilities

Finance lease liabilities are payable as follows:

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

	Future lease payments 2012 AED'000	*Interest and term deposit component 2012 AED'000*	*Present value of minimum lease payments 2012 AED'000*
Less than one year	3,050,628	(703,505)	2,347,123
Between one and five years	12,516,092	(2,433,165)	10,082,927
More than five years	14,956,775	(1,571,645)	13,385,130
	30,523,495	(4,708,315)	25,815,180

28 BORROWINGS AND LEASE LIABILITIES (continued)

g) Finance lease liabilities (continued)

The fair value of net lease liabilities amounts to AED 27,909,185 thousand (2012: AED 25,033,123 thousand). The fair value is determined by discounting projected cash flows using the interest rate yield curve for the remaining term to maturities and currencies adjusted for credit spread.

The effective interest rate on finance lease liabilities is 2.86% (2012: 2.85%).

h) Securities

Following are the significant securities provided against the borrowings:

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

29 DERIVATIVE FINANCIAL INSTRUMENTS

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

2013

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

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

2012

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*<1 year AED'000*	*>1 year AED'000*
Banking operations					
Derivatives held for trading:					
Foreign exchange forward contracts	203,946	(161,359)	76,873,556	73,353,641	3,519,915
Commodity options	-	-	102,639	60,596	42,043
Foreign exchange options	344,075	(344,075)	19,810,274	17,433,787	2,376,487
Interest rate swaps / caps	1,501,811	(1,455,016)	51,874,989	17,330,552	34,544,437
Credit derivatives	4,527	(38)	288,292	288,292	-
Equity options	-	-	87,442	60,596	26,846
	2,054,359	(1,960,488)	149,037,192	108,527,464	40,509,728
Derivatives held as cash flow hedges:					
Interest rate swaps	124,498	(21,581)	3,650,000	-	3,650,000
Derivatives held as fair value hedges:					
Interest rate swaps	39,525	(52,075)	1,888,584	64,189	1,824,395
(A)	2,218,382	(2,034,144)	154,575,776	108,591,653	45,984,123

29 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Positive fair value AED'000	*Negative fair value AED'000*	*Notional amounts Total AED'000*	*<1 year AED'000*	*>1 year AED'000*
Non-banking operations					
Derivatives held for trading:					
Commodity forward contracts and options	142,120	(60,671)	6,287,844	-	6,287,844
Derivatives held as cash flow hedges:					
Foreign exchange forward contracts	53,050	(130,180)	4,302,603	2,914,907	1,387,696
Interest rate swaps	-	(1,094,888)	12,546,898	106,526	12,440,372
	53,050	(1,225,068)	16,849,501	3,021,433	13,828,068
Derivatives held as fair value hedges:					
Foreign exchange forward contracts	114	(12,329)	640,853	640,853	-
(B)	195,284	(1,298,068)	23,778,198	3,662,286	20,115,912
Total (A+B)	2,413,666	(3,332,212)	178,353,974	112,253,939	66,100,035

Disclosed as follows:

Positive fair value of derivatives:

	2013 AED'000	*2012 AED'000*
Current assets	**878,237**	731,882
Non-current assets	**1,072,383**	1,681,784
Total	**1,950,620**	2,413,666

Negative fair value of derivatives:

Current liabilities	**(670,208)**	(680,268)
Non-current liabilities	**(1,612,445)**	(2,651,944)
Total	**(2,282,653)**	(3,332,212)
Net fair value of derivatives (see note 16)	**(332,033)**	(918,546)

30 OTHER NON-CURRENT PAYABLES

	2013 AED'000	2012 AED'000
Deferred service revenue	**1,794,856**	1,835,025
Provision for maintenance	**1,429,143**	1,068,711
Deferred credits (non-current portion)	**250,161**	306,489
Retention payable	**294,687**	279,377
Maintenance reserve	**778,383**	838,106
Other provisions	**80,767**	91,826
Decommissioning and cylinder replacement costs	**28,985**	28,441
Due to related parties (see note 36)	-	25,493
Others	**322,756**	240,797
	4,979,738	4,714,265

31 TRADE AND OTHER PAYABLES

	2013 AED'000	2012 AED'000 (Restated)	2011 AED'000 (Restated)
Trade payables	**39,144,964**	27,370,798	15,070,883
Passenger sales in advance	**10,014,099**	8,956,056	8,257,128
Accrued interest payable	**1,304,930**	1,508,008	1,520,174
Advance from customers	**252,453**	371,081	211,312
Amounts due to associates and joint ventures (see note 36)	**831,003**	1,044,488	909,714
Amounts due to Government, MOF and other related parties (see note 36)	**1,641,506**	5,115,309	164,194
Managers' cheques	**1,382,142**	1,043,054	563,569
Decommissioning liability	**2,109,075**	1,611,359	1,134,862
Unearned rent and service charges	**2,575,253**	2,521,238	91,432
Deferred credits (current portion)	**68,490**	96,327	144,618
Members' margin deposit (see note below)	**20,187**	8,662	21,220
Other payables and accruals	**6,265,696**	5,106,803	4,944,146
	65,609,798	54,753,183	33,033,252

Members' margin deposits represent margin deposits in respect of outstanding securities trades until such outstanding trade is settled.

32 CUSTOMER DEPOSITS

	2013 AED'000	2012 AED'000
Time	**80,012,975**	95,263,715
Demand, call and short notice	**71,093,252**	47,991,073
Savings	**20,147,306**	13,713,039
Others	**2,777,400**	1,114,401
	174,030,933	158,082,228
Disclosed as follows:		
Non-current liabilities	**6,648,250**	15,277,375
Current liabilities	**167,382,683**	142,804,853
	174,030,933	158,082,228

32 CUSTOMER DEPOSITS (continued)

The interest rates paid on the above deposits averaged 1% per annum (2012: 1.5% per annum).

Customer deposits include AED 5,905,338 thousand (2012: AED 13,814,744 thousand) deposits from Government, MOF and other related parties and AED 63,817 thousand (2012: AED 381,008 thousand) deposits from associates and joint ventures (see note 36).

During the year, the banking subsidiary of the Group repaid an amount of AED 7,800 million in respect of funds received from MOF in 2008.

33 ISLAMIC CUSTOMER DEPOSITS

	2013 ***AED'000***	*2012* *AED'000*
Time	**25,713,968**	23,045,285
Demand, call and short notice	**5,382,882**	5,428,271
Savings	**7,089,462**	4,258,737
Others	**307,022**	245,289
	38,493,334	32,977,582
Disclosed as follows:		
Non-current liabilities	**11,209,566**	6,074,115
Current liabilities	**27,283,768**	26,903,467
	38,493,334	32,977,582

Islamic customer deposits include AED 1,082,000 thousand (2012: AED 1,082,000 thousand) pertaining to facilities received from MOF (see note 36).

34 DEPOSITS UNDER REPURCHASE AGREEMENTS

Deposits under repurchase agreements represent borrowings from banks and are secured by a portfolio of financial assets as follows:

	2013 ***AED'000***	*2012* *AED'000*
Available-for-sale investments (see note 16)	**67,129**	514,552
Cash collateral	-	216,321
	67,129	730,873

35 COMMITMENTS AND CONTINGENCIES

(a) Investment commitments

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

	2013 ***AED'000***	*2012* *AED'000*
Available-for-sale investments	**14,057**	773,812
Associates	**10,661**	41,270
Joint ventures	**1,564,783**	4,845,869
Others	**255,000**	255,000
	1,844,501	5,915,951

Investment commitments in joint ventures includes a commitment in EMAL.

(b) Operating lease commitments

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

	2013 ***AED'000***	*2012* *AED'000*
Within one year	**7,751,232**	6,670,162
After one year but not more than five years	**22,944,336**	22,499,852
More than five years	**15,369,941**	16,737,202
	46,065,509	45,907,216

In the event of certain aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 December 2013, the penalties would have been AED 265.37 million (2012: AED 277.37 million).

The Group is entitled to extend certain aircraft leases for a further period of one to six years at the end of the initial lease period. The Group is also entitled to purchase nine of one hundred and thirty (2012: thirteen of one hundred and twenty nine) aircraft under these leases.

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

	2013 ***AED'000***	*2012* *AED'000*
Within one year	**1,607,466**	1,901,309
After one year but not more than five years	**3,004,191**	4,829,358
More than five years	**1,680,989**	1,267,069
	6,292,646	7,997,736

One of the Group's subsidiary enters into non-cancellable operating leases for aircraft expiring from 2014 to 2024.

35 COMMITMENTS AND CONTINGENCIES (continued)

(c) Capital commitments

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

	2013 AED'000	*2012 AED'000*
Capital commitments for purchase of aircraft fleet are as follows:		
Within one year	**17,193,728**	14,236,351
After one year but not more than five years	**88,408,662**	91,236,797
More than five years	**210,579,535**	47,080,206
	316,181,925	152,553,354
Contracted commitment for purchase of other non-financial assets	**14,856,582**	9,398,821
Authorised but not contracted commitment for purchase of other non-financial assets	**4,091,336**	3,458,533
Group's share of associate and joint venture companies' capital expenditure commitments	**2,845,643**	4,765,802
	337,975,486	170,176,510

(d) Assets held in a fiduciary capacity

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

(e) Contingencies

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

	2013 AED'000	*2012 AED'000*
Letters of credit	**9,341,531**	7,149,301
Letters of guarantees	**52,397,166**	39,726,919
Liabilities on risk participation	**2,217,393**	2,270,080
Performance bonds	**137,944**	102,580
Group's share of guarantees issued by associates and joint ventures	**4,328,281**	4,187,311
Group's share of letters of credit issued by associates and joint ventures	**1,359,706**	977,522
Third party claims*	**633,176**	633,639
Acceptances	**995,968**	995,968

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

35 COMMITMENTS AND CONTINGENCIES (continued)

(f) Operational commitments

One of the Group's subsidiaries has operational commitments relating to sales and marketing as at 31 December 2013 of AED 3,318,923 thousand (2012: AED 2,176,235 thousand).

(g) Irrevocable loan commitments

The Group's banking operations have irrevocable undrawn loan commitments amounting to AED 25,700,148 thousand outstanding at 31 December 2013 (2012: AED 17,388,864 thousand).

36 RELATED PARTY TRANSACTIONS

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

The Group enters into transactions with various other Government owned entities which are entered into in the normal course of business on an arm's length basis. Such transactions include transactions in the normal course of business with various utility companies, port authorities and financial institutions. In accordance with the exemption available in the revised IAS 24, management has resolved not to disclose transactions which are entered in normal course of business with the Government and the entities that are related parties because the Government has control, joint control or significant influence over them.

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

	31 December 2013				
	Purchase of goods and services AED'000	***Sale of goods and services AED'000***	***Finance income AED'000***	***Finance costs AED'000***	***Fee and commission income AED'000***
Associates and joint ventures	**7,012,020**	**8,007,052**	**57,000**	**145,699**	**-**
Government, MOF and other related parties	**30,203**	**833,106**	**113,250**	**701,529**	**28,163**

	31 December 2012				
	Purchase of goods and services AED'000	*Sale of goods and services AED'000*	*Finance income AED'000*	*Finance costs AED'000*	*Fee and commission income AED'000*
Associates and joint ventures	7,777,736	7,463,408	34,093	87,617	-
Government, MOF and other related parties	230,263	1,042,084	141,219	721,733	46,364

In addition to above, one of the Group's subsidiaries entered into a sale and purchase agreement with a related party to sell certain investment properties and other assets with a net carrying value of AED 1,142,876 thousand in 2011. Effective 31 December 2012 the subsidiary entered into an additional asset purchase agreement (the "Supplemental Agreement") with the related party to sell certain additional assets with a net carrying value amounting to AED 843,825 thousand.

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

36 RELATED PARTY TRANSACTIONS (continued)

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

	2013		*2012*	
	Receivables AED'000	***Payables AED'000***	*Receivables AED'000*	*Payables AED'000*
Associates and joint ventures	**3,947,350**	**4,115,608**	11,807,925	4,616,422
Government, MOF and other related parties	**112,523,108**	**23,393,905**	96,146,799	34,830,965
	116,470,458	**27,509,513**	107,954,724	39,447,387

An impairment provision of AED 614,067 thousand (2012: AED 520,013 thousand) has been made against amounts receivable from "Government, MOF and other related parties". Such amounts are included in other non-current assets and trade and other receivables at the year end. Further, apart from the amounts included in the above tables, other non-current assets includes an amount of AED 2,000,000 thousand (2012: AED 1,639,335 thousand) as fair value of guarantee from a related party (see note 17).

c) Compensation to key managerial personnel

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

	2013 AED'000	*2012 AED'000*
Short term benefits	**267,032**	321,766
End of service benefits	**14,619**	18,355
Share based payments	**3,587**	4,388
Directors' fees	**11,255**	20,086
	296,493	364,595

37 FINANCIAL RISK MANAGEMENT

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

31 December 2013:

	Designated as fair value through profit or loss AED'000	*Held to maturity AED'000*	*Available-for-sale AED'000*	*Loans and receivables AED'000*	*Liabilities at amortised cost AED'000*	*Derivative financial instruments AED'000*	*Total carrying value AED'000*
Financial assets							
Non-derivative financial assets							
Investments in marketable securities (see note 16)	**2,565,312**	**1,096,419**	**21,947,889**	**-**	**-**	**-**	**25,609,620**
Islamic financing and investment products (see note 20)	-	-	-	**36,414,875**	**-**	**-**	**36,414,875**
Loans and receivables (see note 21)	-	-	-	**199,525,582**	**-**	**-**	**199,525,582**
Other non-current assets	-	-	-	**13,547,512**	**-**	**-**	**13,547,512**
Trade and other receivables	-	-	-	**27,950,043**	**-**	**-**	**27,950,043**
Customer acceptances	-	-	-	**4,986,419**	**-**	**-**	**4,986,419**
Cash and deposits with banks (see note 22)	-	-	-	**93,564,149**	**-**	**-**	**93,564,149**
Derivative financial assets							
Positive fair value of derivatives (see note 29)	-	-	-	-	-	**1,950,620**	**1,950,620**
	2,565,312	**1,096,419**	**21,947,889**	**375,988,580**	**-**	**1,950,620**	**403,548,820**
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 32)	-	-	-	-	**174,030,933**	**-**	**174,030,933**
Islamic customer deposits (see note 33)	-	-	-	-	**38,493,334**	**-**	**38,493,334**
Borrowings and lease liabilities (see note 28)	-	-	-	-	**147,963,931**	**-**	**147,963,931**
Other non-current payables	-	-	-	-	**1,426,139**	**-**	**1,426,139**
Customer acceptances	-	-	-	-	**4,986,419**	**-**	**4,986,419**
Deposits under repurchase agreements (see note 34)	-	-	-	-	**67,129**	**-**	**67,129**
Trade and other payables	-	-	-	-	**51,734,354**	**-**	**51,734,354**
Derivative financial liabilities							
Negative fair value of derivatives (see note 29)	-	-	-	-	-	**2,282,653**	**2,282,653**
	-	-	-	-	**418,702,239**	**2,282,653**	**420,984,892**

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

37 FINANCIAL RISK MANAGEMENT (continued)

31 December 2012:

	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)	2,031,898	1,227,022	17,464,503	-	-	-	20,723,423
Islamic financing and investment products (see note 20)	-	-	-	32,131,275	-	-	32,131,275
Loans and receivables (see note 21)	-	-	-	178,240,450	-	-	178,240,450
Other non-current assets	-	-	-	19,810,329	-	-	19,810,329
Trade and other receivables	-	-	-	25,813,030	-	-	25,813,030
Customer acceptances	-	-	-	6,301,961	-	-	6,301,961
Cash and deposits with banks (see note 22)	-	-	-	74,971,893	-	-	74,971,893
Derivative financial assets							
Positive fair value of derivatives (see note 29)	-	-	-	-	-	2,413,666	2,413,666
	2,031,898	1,227,022	17,464,503	337,268,938	-	2,413,666	360,406,027
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 32)	-	-	-	-	158,082,228	-	158,082,228
Islamic customer deposits (see note 33)	-	-	-	-	32,977,582	-	32,977,582
Borrowings and lease liabilities (see note 28)	-	-	-	-	131,662,176	-	131,662,176
Other non-current payables	-	-	-	-	1,391,586	-	1,391,586
Customer acceptances	-	-	-	-	6,301,961	-	6,301,961
Deposits under repurchase agreements (see note 34)	-	-	-	-	730,873	-	730,873
Trade and other payables	-	-	-	-	41,814,049	-	41,814,049
Derivative financial liabilities							
Negative fair value of derivatives (see note 29)	-	-	-	-	-	3,332,212	3,332,212
	-	-	-	-	372,960,455	3,332,212	376,292,667

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

37 FINANCIAL RISK MANAGEMENT (continued)

Risk management framework:

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

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

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

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

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

Risk management process:

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

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk

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

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

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

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

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

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

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

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

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

	2013 AED'000	*2012 AED'000*
Investments in marketable securities	**16,641,936**	14,818,663
Other non-current assets	**13,657,512**	19,810,329
Positive fair value of derivatives	**1,950,620**	2,413,666
Islamic financing and investment products	**36,414,875**	32,131,275
Loans and receivables	**199,525,582**	178,240,450
Trade and other receivables (including due from related parties)	**27,840,043**	25,813,030
Customer acceptances	**4,986,419**	6,301,961
Cash and deposits with banks	**84,761,252**	67,753,545
	385,778,239	347,282,919

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 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. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2013	*2012*
	AED'000	*AED'000*
Letters of credit	**9,341,531**	7,149,301
Letters of guarantees	**52,397,166**	39,726,919
Liabilities on risk participation	**2,217,393**	2,270,080
Performance bonds	**137,944**	102,580
Group's share of guarantees issued by associates and joint ventures	**4,328,281**	4,187,311
Group's share of letters of credit issued by associates and joint ventures	**1,359,706**	977,522
Third party claims	**633,176**	633,639
Acceptances	**995,968**	995,968
Irrevocable undrawn loan commitments	**25,700,148**	17,388,864
	97,111,313	73,432,184

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

31 December 2013

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

31 December 2012

	Gross	*Impairment*
	AED'000	*AED'000*
Neither past due nor impaired	218,079,608	-
Past due but not impaired		
Past due 1 – 90 days	12,024,842	-
Past due 91 – 365 days	5,871,294	-
Past due and impaired	34,206,213	17,680,365
Total	270,181,957	17,680,365

37 FINANCIAL RISK MANAGEMENT (continued)

37.1 Credit risk (continued)

Impairment losses (continued)

The outstanding amount for more than one year primarily represents amounts due from certain customers against which the Group believes that existing impairment loss provision is adequate and considers that the balance amount is fully recoverable.

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

	2013 AED'000	*2012 AED'000*
Balance at the beginning of the year	**17,680,365**	14,232,527
Arising on acquisition of subsidiaries	-	77,605
Charge during the year – net of recoveries	**4,439,137**	3,570,361
Amounts written off	**(223,726)**	(113,705)
Interest unwind on impaired loans and receivables	**(93,387)**	(86,423)
Transfer to asset held for sale (see note 23 (a))	**(9,456)**	-
At 31 December	**21,792,933**	17,680,365

37.2 Liquidity risk

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

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

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.2 Liquidity risk (continued)

Financial liabilities	*Carrying amount AED'000*	*Contractual cash flows AED'000*	*Less than one year AED'000*	*More than one year AED'000*
31 December 2012				
Customer deposits	158,082,228	160,605,547	143,945,833	16,659,714
Islamic customer deposits	32,977,582	33,083,572	26,993,293	6,090,279
Borrowings and lease liabilities	131,662,176	147,343,341	59,993,326	87,350,015
Other non-current payables	1,391,586	1,391,586	162,212	1,229,374
Customer acceptances	6,301,961	6,301,961	6,301,961	-
Deposits under repurchase agreements	730,873	735,748	735,748	-
Trade and other payables	42,771,070	42,771,070	42,598,299	172,771
Negative fair value of derivatives	3,332,212	3,234,453	849,144	2,385,309
Total	377,249,688	395,467,278	281,579,816	113,887,462

37.3 Market risk

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

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

Market risk specific to banking operations

To measure and manage interest rate risk and its possible impact on Economic Value of the entity, the banking subsidiary of the Group has established internal limits based on the PV01. The interest rate gaps and sensitivity tests (NII and PV01) are measured on a monthly basis by liquidity and Asset Liability Management Function of the banking subsidiary, and monitored by its Asset and Liability Committee.

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

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

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

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.3 Market risk (continued)

Total Value at Risk

	2013 AED'000	2012 AED'000
Average	**6,120**	6,096
Minimum	**1,808**	987
Maximum	**13,970**	15,290
Balance as at 31 December	**2,450**	3,293

37.3.1 Equity price risk

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

Equity price risk – sensitivity analysis
The Group's quoted equity investments are listed on various stock exchanges in the global markets, mainly in the UAE. A five percent increase in the equity prices would have increased the fair value of the quoted securities by AED 312,135 thousand (2012: AED 171,848 thousand); an equal change in the opposite direction would have decreased the fair value of the quoted securities by AED 312,135 thousand (2012: AED 171,848 thousand). The following table demonstrates the sensitivity of the Group's equity and income statement 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 income statement AED'000	***Effect on equity AED'000***
31 December 2013		
Effect of changes in quoted equity portfolio of the Group	**23,808**	**312,135**

	Effect on income statement AED'000	*Effect on equity AED'000*
31 December 2012		
Effect of changes in quoted equity portfolio of the Group	16,618	171,848

37.3.2 Commodity price risk

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.3.2 Commodity price risk (continued)

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

Commodities

	Decrease	
	Equity AED'000	***Profit AED'000***
31 December 2013		
Oil prices (5%)	**65,878**	**65,878**
Total	**65,878**	**65,878**

	Decrease	
	Equity AED'000	*Profit AED'000*
31 December 2012		
Oil prices (5%)	20,709	20,709
Total	20,709	20,709

37.3.3 Interest / profit rate risk

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

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

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

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.3.3 Interest / profit rate risk (continued)

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

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

	31 December 2013		*31 December 2012*	
	Amount AED'000	***Variance AED'000***	*Amount AED'000*	*Variance AED'000*
Rates Up 200 bp	**7,915,412**	**982,456**	6,706,644	909,754
Base Case	**6,932,955**	**-**	5,796,890	-
Rates Down 200 bp	**6,461,028**	**(471,927)**	5,359,084	(437,806)

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

Non-banking operations

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

	Effect on profit on increase of 100 bp AED'000
31 December 2013	**146,479**
31 December 2012	194,336

There is no other effect of interest/profit rate movements relating to the non-banking operations of the Group on Group's equity.

37.3.4 Currency risk

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.3.4 Currency risk (continued)

Non-Banking operations (continued)

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

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

31 December 2012	*Average rate AED*	*Reporting rate (spot rate) AED*
SGD	2.94	3.00
GBP	5.82	5.93
EURO	4.72	4.85

Currency rate risk - sensitivity analysis

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

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

31 December 2012	*Equity AED'000*	*Income statement AED'000*
SGD	46,252	45,200
GBP	67,125	(10,313)
EURO	102,381	(52,298)

37 FINANCIAL RISK MANAGEMENT (continued)

37.4 Capital management

37.4.1 Capital management (banking operations)

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

Minimum Capital Requirements

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

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

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

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

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

	2013 AED'000	*2012 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**	2,706,815
Other reserves	**2,874,876**	2,864,740
Retained earnings	**9,825,643**	8,505,205
Tier 1 Capital notes	**7,648,497**	4,000,000
Non-controlling interests	**4,525**	46,269
Total tier I Capital	**40,960,328**	35,950,928
Less: Goodwill and intangibles	**(6,262,498)**	(5,751,018)
Less: Treasury shares	**(46,175)**	(46,175)
Total	**34,651,655**	30,153,735
Tier II Capital		
Undisclosed reserves / general provisions	**3,951,916**	3,600,001
Cumulative changes in fair value	**360,522**	267,220
Hybrid (debt / equity) capital instruments	**2,870,529**	10,067,372
Subordinated debt	**3,844,168**	1,804,374
Total	**11,027,135**	15,738,967
Of which: Eligible tier II capital	**9,911,753**	14,864,988
Total regulatory capital	**44,563,408**	45,018,723

37 FINANCIAL RISK MANAGEMENT (continued)

37.4 Capital management (continued)

37.4.1 Capital management (banking operations) (continued)

RISK WEIGHTED EXPOSURE

	2013 AED'000	*2012 AED'000*
Credit risk	**209,194,418**	201,959,491
Market risk	**2,811,678**	2,326,786
Operational risk	**14,916,688**	13,795,458
Total	**226,922,784**	218,081,735
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	**19.64%**	20.64%
Total tier I regulatory capital as a percentage of total risk weighted assets	**15.27%**	13.83%

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

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

The implemented internal capital adequacy assessment process is based on Economic Capital and defines adequacy as balance of capital supply, in form of available financial resources, and capital demand, in form of cushion against unexpected losses. The Bank's quantification models have been subject to external scrutiny and validation.

The Bank measures two levels of adequacy:

- the capability to withstand unexpected losses at a confidence level of 80% through projected net-income post dividend and provisions, and
- the capability to withstand unexpected losses at a confidence level of 99.9% through its capital base including projected net-income post dividend and provisions, with the latter measure being the key measure for the adequacy assessment.

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

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

The Integrated Stress Testing Framework encompasses

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

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

37 FINANCIAL RISK MANAGEMENT (continued)

37.4 Capital management (continued)

37.4.1 Capital management (banking operations) (continued)

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

The Bank manages a number of funds which are not consolidated in the consolidated financial statements. The funds have no recourse to the general assets of the Bank; further the Bank has no recourse to the assets of the funds. Third party funds managed by the Bank were AED 7,477 million at 31 December 2013 (2012: AED 5,408 million).

37.4.2 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 123,498,203 thousand as at 31 December 2013 (2012: AED 110,287,453 thousand).

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

38 MATERIAL PARTLY OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operations	***2013***	*2012*
Name			
Emirates NBD PJSC	UAE	**44.36%**	44.36%
Dragon Oil plc	Republic of Ireland / UAE	**46.00%**	45.80%

	2013 (AED'000)	*2012 (AED'000)*
Accumulated balances of material non-controlling interests:		
Emirates NBD PJSC	**19,273,527**	14,721,269
Dragon Oil plc	**5,475,827**	4,813,717
Profit allocated to material non-controlling interests:		
Emirates NBD PJSC	**1,628,841**	1,139,872
Dragon Oil plc	**866,587**	1,014,377
Dividend paid to material non-controlling interests:		
Emirates NBD PJSC	**615,703**	492,562
Dragon Oil plc	**248,834**	226,560

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

38 MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

Summarised statement of comprehensive income for the year ended 2013:

	Emirates NBD PJSC (AED'000)	***Dragon Oil plc (AED'000)***
Profit for the year from continuing operations	**3,256,366**	**1,883,890**
Total comprehensive income	**3,473,838**	**1,883,890**

Summarised statement of financial position as at 31 December 2013:

	Emirates NBD PJSC (AED'000)	***Dragon Oil plc (AED'000)***
Current assets	**211,347,188**	**10,110,076**
Non-current assets	**130,714,087**	**6,045,959**
Current liabilities	**258,300,159**	**3,603,503**
Non-current liabilities	**42,045,804**	**647,373**

Summarised cash flow statement information for year ended 31 December 2013:

	Emirates NBD PJSC (AED'000)	***Dragon Oil plc (AED'000)***
Net cash (used in) / from operating activities	**(3,636,531)**	**2,915,789**
Net cash from / (used in) investing activities	**1,838,721**	**(3,311,495)**
Net cash from / (used in) financing activities	**4,125,693**	**(500,219)**
Net increase/(decrease) in cash and cash equivalents	**2,327,883**	**(895,925)**

Summarised statement of comprehensive income for the year ended 2012:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Profit for the year from continuing operations	2,554,019	2,205,169
Total comprehensive income	2,898,446	2,205,169

38 MATERIAL PARTLY OWNED SUBSIDIARIES (continued)

Summarised statement of financial position as at 31 December 2012:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Current assets	178,003,064	8,502,002
Non-current assets	130,293,287	5,621,365
Current liabilities	229,261,917	3,089,565
Non-current liabilities	42,535,858	525,815

Summarised cash flow statement information for year ended 31 December 2012:

	Emirates NBD PJSC (AED'000)	*Dragon Oil plc (AED'000)*
Net cash from operating activities	5,040,014	3,769,039
Net cash from / (used in) investing activities	1,077,151	(1,844,457)
Net cash from / (used in) financing activities	826,283	(1,224,503)
Net increase in cash and cash equivalents	6,943,448	700,079

39 OPERATING SEGMENTS

An operating segment is a significant distinguishable component of the Group's business activities, which is subject to risks and rewards different from those of other segments. The financial information of Group's operating segments is regularly monitored and evaluated by the Group's management.

For such monitoring and evaluation purposes, the Group is organised into the following three major reportable operating segments:

- Transportation and related services: This segment comprises primarily of passenger and commercial air transportation (including retail of consumer goods and in-flight catering), airport handling operations, aircraft handling and engineering services, other travel related services, aircraft leasing and MRO services;
- Oil and gas products/services: This segment comprises of upstream oil and gas production and downstream marketing and retailing of oil and gas functions; and
- Banking and other financial services: This segment comprises of banking operations, non-bank financial institutions, holding and administering of interests in the financial exchanges and financial transaction management advisory services.

Other segments are components of the Group's business activities that need not be disclosed separately as per the criteria specified under IFRS 8- Operating Segments. A brief description of these businesses is as follows:

- Retail trade: Primarily comprises of duty free retail services at Dubai's airports, ownership and operations of supermarkets and retail services, and trading of goods and services across various sectors such as automobiles and industrial machinery.
- Rental income: Primarily comprises of income from operating leases of buildings and from rental of exhibition and convention centres;
- Hotels and leisure: Primarily comprises of the hotel and related operations.
- Contract revenue: Comprises of income from structural steelwork manufacturing.
- Other investment income: Primarily comprises of investment operations.

39 OPERATING SEGMENTS (continued)

One of the Group's entities engaged in industrial manufacturing has been classified as a disposal group held for sale as at the reporting date and accordingly has not been considered for IFRS 8 – Operating Segments disclosure.

Financial information in relation to the various operating segments of the Group has been presented as under:

2013:	***Banking and other financial services AED'000***	***Transportation and related services AED'000***	***Oil and gas products/ services AED'000***	***Others AED'000***	***Total AED'000***
Revenues					
Revenue from external customers	**13,942,382**	**90,152,111**	**63,965,749**	**10,202,558**	**178,262,800**
Results:					
Profit for the year from continuing operations before tax	**4,065,413**	**4,248,264**	**5,069,087**	**3,314,325**	**16,697,089**
Assets and liabilities:					
Segmental Assets	**337,331,219**	**119,593,389**	**64,341,047**	**65,431,970**	**586,697,625**
Segmental Liabilities	**279,235,452**	**86,296,032**	**38,646,665**	**38,292,861**	**442,471,010**

2012:	*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	12,384,062	76,002,586	53,515,273	9,088,227	150,990,148
Results:					
Profit for the year from continuing operations before tax	3,255,205	3,467,420	5,251,127	3,861,725	15,835,477
Assets and liabilities:					
Segmental Assets	301,718,622	104,489,205	48,419,777	83,358,876	537,986,480
Segmental Liabilities	254,618,142	74,439,436	26,693,227	40,401,561	396,152,366

40 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The extent of ICD's ownership in significant subsidiaries, associates and joint ventures and their principal activities is as follows:

SUBSIDIARIES:

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
List of subsidiaries of ICD				
Emirates NBD PJSC	**55.64%**	55.64%	UAE	Banking
Dubai Aluminium (see note 23(a))	**100.00%**	100.00%	UAE	Aluminium smelter
Emirates National Oil Co. Limited (ENOC) LLC	**100.00%**	100.00%	UAE	Development and production of oil and gas, gas gathering and processing, production and selling of MTBE, marketing of petroleum products and retailing at service stations, oil trading, terminalling and storage, condensate processing, aviation fuel marketing, lubricant marketing, bunkering and oil related shipping activities
Dubai World Trade Centre (LLC)	**100.00%**	100.00%	UAE	Management of Dubai World Trade Centre Complex
Cleveland Bridge and Engineering Middle East (Private) Limited	**51.00%**	51.00%	UAE	Contracting for designing, industrial and commercial structures
Emirates	**100.00%**	100.00%	UAE	Commercial air transportation which includes passenger, cargo and postal carriage services, wholesale and retail of consumer goods, in-flight and institutional catering and hotel operations
Dnata/dnata World Travel	**100.00%**	100.00%	UAE	Aircraft handling and engineering services, handling services for export and import cargo, information technology services, representing airlines as their general sales agent, travel agency and other travel related services and inflight and institutional catering
Sanad Dubai LLC	**100.00%**	-	UAE	Real estate holding and trust company

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

SUBSIDIARIES: (continued)

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
ICD Asset Management LLC	**100.00%**	-	UAE	Facilities management services
Cleveland Steel Emirates LLC	**51.00%**	-	UAE	Structural steel manufacture
Dubal Holding LLC	**100.00%**	-	UAE	Investment company in commercial/industrial enterprises and management
Future City Global Investment LLC	**100.00%**	-	UAE	Investment company in commercial 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
One Za'abeel LLC	**100.00%**	100.00%	UAE	Management of real estate
Iceberg Limited	**100.00%**	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Pelegen LLC	**100.00%**	100.00%	UAE	Engage in real estate management services
Solidity LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for holding investments
Unity LLC	**100.00%**	100.00%	UAE	Special purpose vehicle for unregulated proprietary transactions relating to financial instruments including derivatives
Iceberg 2 Limited	**100.00%**	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Aswaaq LLC	**99.00%**	99.00%	UAE	Retail trading
Emaratech (Emarat Technology Solutions) FZ LLC	**100.00%**	100.00%	UAE	Information technology services for DNRD
Golf in Dubai LLC	**99.00%**	99.00%	UAE	Managing of Golf events
Dubai Duty Free Establishment	**100.00%**	100.00%	UAE	Duty Free operations at airports

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

SUBSIDIARIES: (continued)

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Dubai Silicon Oasis Authority	**100.00%**	00.00%	UAE	Property related operations
Dubai Airport Freezone Authority	**100.00%**	100.00%	UAE	Property related operations
Deira Waterfront Development LLC	**100.00%**	100.00%	UAE	Property development management
National Bond 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	**68.36%**	68.36%	UAE	Operations in aircraft leasing, maintenance, repair and over haul.
D Clear Europe Ltd	**100.00%**	100.00%	UK	Development, distribution and service of its transaction lifecycle Management Software products and Data Management services.
Al Salwa Investment LLC	**100.00%**	-	UAE	Holding and proprietary investments Company
List of subsidiaries of Emirates NBD PJSC				
Buzz Contact Centre Solutions LLC	**100.00%**	100.00%	UAE	Call centre management services
Dubai Bank PJSC	**100.00%**	100.00%	UAE	Islamic Banking
E.T.F.S. LLC	**100.00%**	100.00%	UAE	Trade finance services
Emirates Financial Services PSC	**100.00%**	100.00%	UAE	Fund management
Emirates Funds Managers (Jersey) Limited	**100.00%**	100.00%	UK	Asset management
Emirates NBD Global Funding Limited	**100.00%**	100.00%	Cayman Island	Medium term borrowing and money market transactions
Emirates NBD Asset Management Limited	**100.00%**	100.00%	UAE	Asset management
Emirates Islamic Bank PJSC	**99.90%**	99.80%	UAE	Islamic Banking
Emirates NBD Trust Company (Jersey) Limited	**100.00%**	100.00%	UK	Trust administration services
Emirates NBD Securities	**100.00%**	100.00%	UAE	Brokerage services

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

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates NBD PJSC (continued)

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Emirates NBD Properties LLC	**100.00%**	100.00%	UAE	Real estate
Emirates Money Consumer Finance LLC	**100.00%**	100.00%	UAE	Consumer finance
Emirates Fund LLC	**100.00%**	100.00%	UAE	Assets Management
Emirates NBD Capital (KSA) LLC	**100.00%**	100.00%	KSA	Investment services
KSA Mortgage Company	**100.00%**	100.00%	KSA	Nominee Company for Mortgage Business
ENBD London Branch Nominee Company	**100.00%**	-	UK	Asset Management
BNP Paribas Egypt S.A.E	**100.00%**	-	Egypt	Banking
Tanfeeth LLC	**100.00%**	100.00%	UAE	Shared services organization
Group tranche of Emblem Finance Company No. 2 Limited	**100.00%**	100.00%	UAE	Asset securitisation
Emirates NBD Auto Financing Limited	**100.00%**	100.00%	UAE	Asset securitisation
Emirates NBD Auto Finance Limited	**100.00%**	100.00%	UAE	Asset securitisation
ENBD Asset Finance Company No.1 Limited	**100.00%**	100.00%	Republic of Ireland	Asset securitisation
ENBD Asset Finance Company No.2 Limited	**100.00%**	100.00%	Cayman Island	Asset securitisation
Emirates NBD Tier 1 Limited	**100.00%**	-	Cayman Island	Asset securitisation

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

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates NBD PJSC (continued)

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
List of subsidiaries of National Bonds Corporation PJSC				
National Bonds Limited FZE	**100.00%**	100.00%	UAE	Investment
First Wharf Tower LLC	**100.00%**	100.00%	UAE	Real estate development
National Properties LLC	**100.00%**	100.00%	UAE	Management services
Sky Courts LLC	**100.00%**	100.00%	UAE	Real estate development
BCS LLC	**51.00%**	51.00%	UAE	Facilities management
National Healthcare LLC	**100.00%**	100.00%	UAE	Healthcare
Dubai Cup LLC	**100.00%**	100.00%	UAE	Sports clubs & facility management
Alpha Utilities Management Services LLC	**100.00%**	100.00%	UAE	Sewage and drainage service
List of subsidiaries of Dubai Aluminium				
Dubal America Inc.	**100.00%**	100.00%	USA	Aluminium supply
Dubal Korea Limited	**100.00%**	100.00%	Korea	Aluminium supply
Dubal Europe AG	**100.00%**	100.00%	Switzerland	Aluminium supply
Dubal EU Imports S.R.L.	**100.00%**	100.00%	Italy	Aluminium supply
Dubai Aluminium Enterprises Limited	**100.00%**	100.00%	British Virgin Islands	Aluminium supply
List of subsidiaries of Borse Dubai Limited				
Dubai Financial Market PJSC (DFM)	**79.70%**	79.70%	UAE	Electronic Financial Market
Nasdaq Dubai Limited (NASDAQ Dubai)	**86.42%**	86.42%	UAE	Electronic Financial Market

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

SUBSIDIARIES: (continued)

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

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Dubai Natural Gas Company Limited	**100.00%**	100.00%	UAE	Gas processing
Emirates Gas LLC	**100.00%**	100.00%	UAE	Bottling and sale of LPG
Emirates National Oil Company (Singapore) Private Limited	**100.00%**	100.00%	Singapore	Petroleum supply & trading
ENOC Processing Company LLC	**100.00%**	100.00%	UAE	Petroleum refining
ENOC Properties LLC	**100.00%**	100.00%	UAE	Property & facility management
ENOC Supply and Trading LLC	**100.00%**	100.00%	UAE	Petroleum supply & trading
Emirates Petroleum Products Company LLC. (EPPCO) LLC	**100.00%**	100.00%	UAE	Gasoline retailing
Global Technology Services LLC	**100.00%**	100.00%	UAE	IT projects and services
Horizons Terminals Limited	**100.00%**	100.00%	Bahamas	Terminalling holding company
Horizon Jebel Ali Terminals Limited	**100.00%**	100.00%	Bahamas	Chemical terminal
Cylingas Company LLC	**100.00%**	100.00%	UAE	Tank fabrication and cylinder manufacturing
Dragon Oil Plc	**54.00%**	54.20%	Republic of Ireland	Oil and gas exploration and production
Enoc Marketing LLC	**100.00%**	100.00%	UAE	Petroleum sales and marketing
Horizon Singapore Terminals Private Limited	**52.00%**	52.00%	Singapore	Petroleum terminal
ENOC Fuel Supply Company LLC	**100.00%**	100.00%	UAE	Petroleum supply and trading
ENOC Commercial & Distribution LLC	**100.00%**	100.00%	UAE	Petroleum sales and marketing
ENOC Lubricants & Grease Manufacturing Plant LLC	**100.00%**	100.00%	UAE	Lubricants and grease manufacturing
Horizon Emirates Terminals LLC	**100.00%**	100.00%	UAE	Petroleum terminal

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

SUBSIDIARIES: (continued)

List of subsidiaries of Emaratech (Emarat Technology Solutions) FZ LLC

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Aamal (Sole Establishment)	**100.00%**	100.00%	UAE	Services for typing, photocopying document clearing, and facilities management
Datel System & Software LLC	**100.00%**	100.00%	Jordan	Installation and operation of e-gates in Kingdom of Jordan.
Zajel Courier Services (sole establishment)	**100.00%**	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport
Emirates Real Estate Services (sole establishment)	**100.00%**	100.00%	UAE	Information technology consultancy and operations.
Zajel FZE, UAE	**100.00%**	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport.
List of subsidiaries of Dubai Airport Freezone Authority				
DAFZA Investments FZE	**100.00%**	100.00%	UAE	Commercial and industrial investment and providing management services
DAFZA Economics & Free Zone Management FZE	**100.00%**	100.00%	UAE	Managing economic and free zones
Dubai Airport Freezone (USA) Inc	**100.00%**	-	USA	Negotiating and signing service contracts in USA
List of subsidiaries of Dubai Silicon Oasis Authority				
Dubai Silicon Oasis Inc. (“DSO Inc”)	**100.00%**	100.00%	USA	Sales and marketing
Dubai Circuit Design FZE (“DCD”)	**100.00%**	100.00%	UAE	Semi-conductor design services
University Development FZE	**100.00%**	100.00%	UAE	University development
Silicon Real Estate LLC	**100.00%**	100.00%	UAE	Real estate management services
DSO-1 FZE	**100.00%**	100.00%	UAE	Holding company
Silicon Oasis Founders FZCO	**100.00%**	100.00%-	UAE	Incubation center

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

SUBSIDIARIES: (continued)

List of subsidiaries of Emirates

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Maritime & Mercantile International Holding L.L.C.	**100.00%**	100.00%	UAE	Holding Company
Maritime & Mercantile International L.L.C.	**68.70%**	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail L.L.C.	**68.70%**	68.70%	UAE	Food and beverage operations
Emirates Leisure Retail Holding L.L.C.	**100.00%**	100.00%	UAE	Holding company
Emirates Hotel L.L.C.	**100.00%**	100.00%	UAE	Hotel operations
Emirates Hotel (Australia) Pty Ltd.	**100.00%**	100.00%	Australia	Hotel operations
Emirates Flight Catering Company L.L.C.	**90.00%**	90.00%	UAE	In-flight and institutional catering
Emirates Leisure Retail (Oman) L.L.C.	**70.00%**	70.00%	Oman	Food and beverage operations
Emirates Leisure Retail (Singapore) Pte. Ltd	**100.00%**	100.00%	Singapore	Food and beverage operations
Emirates Leisure Retail (Australia) Pty. Ltd	**100.00%**	100.00%	Australia	Food and beverage operations

List of subsidiaries of Dnata/Dnata World Travel

Dnata Travel (UK) Ltd	**100.00%**	100.00%	United Kingdom	Travel agency
Dnata Inc.	**100.00%**	100.00%	Philippines	Aircraft handling services
Dnata International Airport Services Pte Ltd.	**100.00%**	100.00%	Singapore	Holding company
Maritime and Mercantile International Travel LLC	**100.00%**	100.00%	UAE	Travel agency
Dnata Gmbh	**100.00%**	100.00%	Austria	Holding company
Dnata Switzerland AG	**100.00%**	100.00%	Switzerland	Aircraft handling services
Al Hidaya Travel and Tourism WLL	**100.00%**	100.00%	Bahrain	Travel agency
Cleopatra International Travel WLL	**100.00%**	100.00%	Bahrain	Travel agency
Dnata Aviation Services Ltd.	**100.00%**	100.00%	UK	Holding company

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

SUBSIDIARIES: (continued)

List of subsidiaries of Dnata/Dnata World Travel (continued)

	Ownership interest 2013	*Ownership interest 2012*	*Country of incorporation*	*Principal activities*
Mercator Asia Co, Ltd.	**100.00%**	100.00%	Thailand	Information technology services
Dnata for Airport Services Ltd.	**100.00%**	100.00%	Iraq	Aircraft handling services
Dnata Catering Services Ltd.	**100.00%**	100.00%	UK	Holding company
Alpha Flight Group Ltd.	**100.00%**	100.00%	UK	In-flight catering services
Alpha Flight UK Ltd.	**100.00%**	100.00%	UK	In-flight catering services
Alpha Flight Services Pty Ltd.	**100.00%**	100.00%	Australia	In-flight catering services
Alpha Flight Services BV	**-**	100.00%	Netherland	In-flight catering services
Alpha Flight Ireland Limited	**100.00%**	100.00%	Republic of Ireland	In-flight catering services
Alpha Airport Services EOOD	**100.00%**	100.00%	Bulgaria	In-flight catering services
Travel Republic Limited	**75.00%**	75.00%	UK	Travel services
Marhaba Bahrain SPC	**100.00%**	100.00%	Bahrain	Travel services
Airline Cleaning Service Pty Ltd	**100.00%**	100.00%	Australia	Aircraft cleaning service
Dnata Singapore Pte Ltd.	**100.00%**	100.00%	Singapore	Aircraft handling and catering services
DWT International Private Limited	**100.00%**	100.00%	India	Corporate travel services
Dnata World Travel Limited	**75.00%**	75.00%	UK	Holding company
Alpha In-Flight US LLC	**100.00%**	100.00%	USA	In-flight catering services
Alpha Rocas SA	**64.20%**	64.20%	Romania	In-flight catering services
Alpha Flight Services UAE	**49.00%**	49.00%	UAE	In-flight catering services
Jordan Flight Catering Company Ltd	**35.90%**	35.90%	Jordan	In-flight catering services
En Route International Limited	**80.00%**	80.00%	UK	Bakery and packaged food solutions
Dnata UK Ltd (formerly Plane Handling Ltd)	**100.00%**	100.00%	UK	Aircraft handling services
MM1 Travel LLC	**100.00%**	100.00%	UAE	Travel agency
Alpha Flight a.s.	**100.00%**	100.00%	Czech Republic	In-flight catering services

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

SUBSIDIARIES: (continued)

List of subsidiaries of Dubai World Trade Centre (LLC)

	***Ownership interest* 2013**	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
Novotel World Trade Centre LLC	**100.00%**	100.00%	UAE	Hotel management
Ibis World Trade Centre LLC	**100.00%**	100.00%	UAE	Hotel management
Wisma Development Pte Ltd	**-**	100.00%	Singapore	Property management
Surge Capital Pte Ltd	**-**	100.00%	Singapore	Investment Company
List of subsidiaries of D-Clear Europe Limited				
SmartStream Technologies Group Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Funding Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Acquisitions Limited	**100.00%**	100.00%	UK	Holding Company
SmartStream Technologies Holdings Limited	**100.00%**	100.00%	UK	Software Company
SmartStream Technologies Limited	**100.00%**	100.00%	UK	Holding company
SBS International Holdings Limited	**100.00%**	100.00%	UK	Software Company
SmartStream Technologies GmbH	**100.00%**	100.00%	Austria	Software Company
SmartStream Technologies (Deutschland) Gmbh	**100.00%**	100.00%	Germany	Software Company
SmartStream Technologies Schweiz GmbH	**100.00%**	100.00%	Switzerland	Software Company
SmartStream Technologies France S.A	**100.00%**	100.00%	France	Software Company
SmartStream Technologies Iberia SL	**100.00%**	100.00%	Spain	Software Company
SmartStream Technologies Benelux-Nordic N:V	**100.00%**	100.00%	Belgium	Software Company
SmartStream Technologies Italia Srl	**100.00%**	100.00%	Italy	Software Company

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

SUBSIDIARIES: (continued)

List of subsidiaries of D-Clear Europe Limited (continued)

	***Ownership interest* 2013**	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
SmartStream Technologies (Asia Pacific) Pte. Ltd	**100.00%**	100.00%	Singapore	Software Company
SmartStream Technologies Inc.	**100.00%**	100.00%	USA	Software Company
African Management Data Pty. Ltd	**100.00%**	100.00%	South Africa	Software Company
Smart Stream Technologies Australia Pty. Ltd	**100.00%**	100.00%	Australia	Software Company
SmartStream Technologies Luxembourg S.A.	**100.00%**	100.00%	Luxembourg	Software Company
SmartStream Technologies India Private Ltd	**100.00%**	100.00%	India	Software Company
SmartStream Technologies (Dubai) LLC	**100.00%**	100.00%	Dubai	Software Company
SmartStream Technologies (Beijing) Co Ltd	**100.00%**	100.00%	China	Software Company
SmartStream Technologies India Distributor Private Ltd	**100.00%**	-	India	Software Company
SmartStream Technologies Netherland B.V	**100.00%**	-	Netherland	Software Company

List of subsidiaries of Dubai Aerospace Enterprise (DAE) Limited

Associated Air Center, L.P.	**100.00%**	100.00%	USA	Interior completions for large private aircrafts
DAE Aviations Holdings Inc.	**97.60%**	97.90%	USA	Parent company
DAE Hungary	**100.00%**	100.00%	Hungary	Holding company
DAE U.S. II, Inc.	**99.90%**	99.90%	USA	Holding company
DAE U.S.,Inc.	**100.00%**	100.00%	USA	
Standard Aero (Alliance) Inc.	**100.00%**	100.00%	USA	Provides maintenance, repair and overhaul (MRO) services – Military and regional aviation market
Standard Aero (Asia) PTE Ltd	**100.00%**	100.00%	Asia	Provides MRO services – business aviation markets

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

SUBSIDIARIES: (continued)

List of subsidiaries of Dubai Aerospace Enterprise (DAE) Limited (continued)

	Ownership interest 2013	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
Standard Aero (Australia) PTY Ltd	**100.00%**	100.00%	Australia	Provides MRO services – military and general aviation markets
Standard Aero (San Antonio) Inc.	**100.00%**	100.00%	USA	Provides MRO services – aviation market
Standard Aero Business Aviation Services, LLC	**100.00%**	100.00%	USA	Provides MRO services – primarily business jet aviation market
Standard Aero BV	**100.00%**	100.00%	Netherlands	Service centre for Pratt & Whitney turnoprop aircraft engines
Standard Aero de Mexico S.A de C.V	**100.00%**	100.00%	Mexico	Service center
Standard Aero Limited	**100.00%**	100.00%	Canada	Provides MRO services – business, regional and military aviation markets.
Standard Aero Redesign Services Inc.	**100.00%**	100.00%	USA	Provides aircraft operational solutions for business and military organisations
TSS Aviation Inc.	**100.00%**	100.00%	USA	Engine and airframe component repairs for models serviced

ASSOCIATES:

List of associates of ICD

Emaar Properties PJSC	**29.29%**	29.38%	UAE	Property investment and development, property management services, education, healthcare, retail, hospitality and investments in providers of financial services
Dubai Islamic Bank PJSC	**28.63%**	29.80%	UAE	Banking
Commercial Bank of Dubai PSC	**20.00%**	20.00%	UAE	Banking
Galadari Brothers Company Limited (LLC)	**37.94%**	37.94%	UAE	Company engaged in trading of various goods and services
Dubai Ice Plant and Cold Stores	**28.00%**	28.00%	UAE	Manufacture and sale of ice.
Emirates Investment & Development PSC	**27.92%**	27.92%	UAE	Investment in properties, securities, agriculture, livestock and food, in addition to establishing trading, investing and manufacturing project inside and outside the UAE
Dubai Development Company PJSC	**25.00%**	25.00%	UAE	Real estate development

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

ASSOCIATES: (continued)

List of associates of ICD (continued)

	Ownership interest 2013	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
HSBC Middle East Finance Company Limited	**20.00%**	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment.
Emirates Refreshments PSC	**20.00%**	20.00%	UAE	Bottling and selling mineral water as well as manufacturing plastic packs and bottles
Noor Investment Group LLC	**25.00%**	25.00%	UAE	Investment company
List of associates of Emirates NBD PJSC				
National General Insurance Co. PSC	**36.70%**	36.70%	UAE	General and life insurance
Union Properties PJSC (see not 40.1)	**15.00%**	47.60%	UAE	Real estate
List of associates of Dubai Aluminium				
Guniea Alumina Corporation BVI	-	25.00%	British Virgin Islands	Aluminium products
Dubai Carbon Centre of Excellence PJSC	-	25.00%	UAE	Consultancy on renewable energy, carbon control system and carbon credit rating
List of associates of Emirates National Oil Co. Limited (ENOC) LLC				
Horizon Djibouti Holding Limited	**44.44%**	44.44%	Djibouti	Terminalling holding company
Arabtank Terminals limited	**37.00%**	37.00%	Saudi Arabia	Petroleum and chemical terminal
Gulf Energy Maritime PJSC	**35.62%**	35.50%	UAE	Shipping
Vopak Horizon Fujairah Holding Limited	**33.33%**	33.00%	Gibraltar	Terminalling holding company
Horizon Tangiers Terminals SA	**34.00%**	34.00%	Morocco	Petroleum terminals
Horizon Djibouti Terminals Limited	**40.00%**	40.00%	Djibouti	Petroleum terminals

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

ASSOCIATES: (continued)

List of associates of Dnata/Dnata World Travel

	***Ownership interest* 2013**	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
Dubai Express LLC	**50.00%**	50.00%	UAE	Freight clearing and forwarding
Gerry's Dnata (Private) Ltd	**50.00%**	50.00%	Pakistan	Aircraft handling services
MindPearl AG	**49.00%**	49.00%	Switzerland	Contract centre operation
MindPearl South Africa (pty) Ltd.	**49.00%**	49.00%	South Africa	Contract centre operation
Hogg Robinson Group Plc	**22.40%**	22.40%	UK	Corporate travel services
Oman United Agency Travel LLC	**50.00%**	50.00%	Oman	Corporate travel services
Guangzhou Baiyn International Airport Ground Handling Services Company Ltd.	**20.00%**	20.00%	China	Aircraft handling services
List of associates of Borse Dubai Limited				
Nasdaq OMX Group Inc. (NASDAQ OMX) (see note 40.4)	**17.58%**	17.98%	USA	Stock Exchange
London Stock Exchange plc. (LSE)	**20.65%**	20.65%	UK	Stock Exchange
List of associates of Dubai Silicon Oasis Authority				
German Business Park FZCO	**32.00%**	32.00%	UAE	Mix use property development
MENA Network FZCO	**35.00%**	-	UAE	Owning, developing and operating the web portal
2 CVs FZCO	**40.00%**	-	UAE	Owning, developing and operating the web portal
List of associates of National Bonds Corporation PJSC				
Souk Extra	**13.07%**	13.07%	UAE	Community shopping centres

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

JOINT VENTURES:

	***Ownership interest* 2013**	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
List of Joint Venture of ICD				
Dubai Cable Company (Private) Limited	**50.00%**	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables.
ICD Brookfield Holdings Bermuda Limited	**50.00%**	50.00%	Bermuda	Property development and management
List of Joint Ventures of Emirates NBD PJSC				
Network International LLC	**51.00%**	51.00%	UAE	Card processing services
List of joint ventures of Dubai Aluminium				
Emirates Aluminium Company Limited	**50.00%**	50.00%	UAE	Aluminium smelters
DM GAV Limited (Formerly Emirates Aluminium International)	**50.00%**	50.00%	Cayman Island	Investment Company
Hydromine Global Minerals GmbH Limited (“Hydromine”)	**45.00%**	45.00%	Cameroon	Bauxite mine and alumina refinery
Guinea Alumina Corporation, BVI (“GAC BVI”)	**58.30%**	-	British Virgin Island	Mining
List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC				
EPPCO International Limited (“EIL”)	**50.00%**	50.00%	Bahamas	Petroleum terminal
Horizon Taeyoung Korea Terminals Ltd.	**50.00%**	50.00%	South Korea	Chemical terminal
EPPCO Projects LLC	**51.00%**	51.00%	UAE	Aviation and lubricants marketing
List of joint ventures of Dnata/Dnata World Travel				
PAL PAN Airport Logistics LLC	**50.00%**	50.00%	UAE	Logistics services
Transguard Group LLC *	**100.00%**	100.00%	UAE	Security services
Toll Dnata Airport Services Pty Ltd	**50.00%**	50.00%	Australia	Aircraft handling services
Dunya Travel LLC	**50.00%**	50.00%	UAE	Travel agency
SDV UAE LLC	**25.50%**	25.50%	UAE	Logistics services

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

JOINT VENTURES:

List of joint ventures of Dnata/Dnata World Travel (continued)

	***Ownership interest* 2013**	*Ownership interest* 2012	*Country of incorporation*	*Principal activities*
Najm Travel LLC	**50.00%**	50.00%	Afghanistan	Travel agency
Al Tawfeeq Travels (Dnata travels) LLC	**50.00%**	50.00%	Qatar	Travel agency
Servair Air Chef SRL	**-**	50.00%	Italy	In-flight catering services
Dnata Travel Limited	**70.00%**	70.00%	KSA	Travel agency
Dnata Newrest (Pty) Ltd (Formerly Wings In-Flight Services (Pty) Ltd)	**33.30%**	50.00%	South Africa	In Flight catering service
Travel Counsellors LLC	**51.00%**	50.00%	UAE	Travel Services

* The beneficial interest is 50% and is subject to joint control

List of joint ventures of Emirates

Emirates-CAE Flight Training LLC	**50.00%**	50.00%	UAE	Flight simulator training
Premier Inn Hotels LLC	**51.00%**	51.00%	UAE	Hotel operations
CAE Flight Training (India) Private Ltd	**50.00%**	50.00%	UAE	Flight simulator training
CAE Middle East Holdings Limited	**50.00%**	50.00%	UAE	Holding company
Independent Wine and Spirit (Thailand) Company Limited	**49.00%**	49.00%	Thailand	Wholesale and retail of consumer goods

In a number of cases, the Group owns more than 50% ownership interest in entities and have classified them as associate / joint ventures, as management believes that the Group does not control these entities. The Group has joint control on these entities with other owners and unanimous owner consent is required for strategic financial and operating decisions by these entities.

40.1 During the year, the Group has disposed stake in Union Properties PJSC converting it from an associate to an AFS investment (see note 15).

40.2 During the prior year, the Group has acquired D-Clear Europe Limited as subsidiary (see note 10).

40.3 During the prior year, one of the Group's subsidiaries acquired Enroute International Limited, an indirect subsidiary (see note 10).

40.4 Although the Group holds less than 20% of the equity shares of Nasdaq OMX Group Inc, the Group exercises significant influence through having a direct representation on the Board of Directors and accordingly, adopts the equity method of accounting for this investment from acquisition date (see note 15(f)).

41 SUBSEQUENT EVENTS

1. Subsequent to the year end, ICD issued 6 years 3.508% USD 700 Million Sukuk under Trust Certificate Issuance Programme and 10 years 4.625% USD 300 Million conventional bonds under Euro Medium Term Note Programme.

2. Subsequent to the year end, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of The United Arab Emirates and The Ruler of Dubai issued Law No 1 of 2014, which converted DUBAL into a private joint stock company and states Dubal Holding as the sole owner of DUBAL. Further on 7 April 2014, subsequent to incorporation of EGA (on 27 March 2014), EGA became the sole owner of DUBAL by way of a sale transaction between Dubal Holding and EGA. Pursuant to this, Dubal Holding currently owns 50% in EGA and would record EGA as a joint venture investment.

3. Before 31 December 2013, ICD entered into an agreement to acquire 100% shares of Atlantis The Palm Holding Company Limited from Istithmar World. Subsequent to the year end, certain significant approvals from third parties have not yet been obtained.

4. Subsequent to the year end, ICD acquired a significant stake in Kerzner International Holdings Limited, which is a leading international hotel operator.

5. Subsequent to the year end, a borrowing of AED 4 billion from the Government has been settled by transfer of ICD’s investment in Tier 1 Capital notes (issued by ICD’s banking subsidiary) to the Government.

42 COMPARATIVE INFORMATION

Certain comparative figures for the year ended 31 December 2012 have been reclassified to conform with the current year’s presentation.

There is no impact on profit for the year ended 31 December 2012 or equity as at that date and such reclassifications were done for better presentation of the consolidated financial statements.