

## BASE PROSPECTUS



# ICD SUKUK COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

U.S.\$2,500,000,000

## Trust Certificate Issuance Programme

Under the trust certificate issuance programme described in this Base Prospectus (the **Programme**), ICD Sukuk Company Limited (in its capacity as issuer, the **Issuer** and, in its capacity as trustee, the **Trustee**), subject to compliance with all applicable laws, regulations and directives, may from time to time issue trust certificates (the **Trust Certificates**), each of which shall represent an undivided ownership interest in the relevant Trust Assets (as defined below), in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Trust Certificates may only be issued in registered form. The maximum aggregate face amount of all Trust Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described in the Programme Agreement.

Each Tranche (as defined herein) of Trust Certificates issued under the Programme will be constituted by (i) a master trust deed (the **Master Trust Deed**) dated 6 May 2014 entered into between the Issuer, the Trustee, Investment Corporation of Dubai (**ICD**) and Citicorp Trustee Company Limited as delegate of the Trustee (the **Delegate**) and (ii) a supplemental trust deed (the **Supplemental Trust Deed**) in relation to the relevant Tranche. Trust Certificates of each Series (as defined herein) confer on the holders thereof from time to time (the **Certificateholders**) the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the **Trust**) over certain assets including, in particular, the rights, title, interests, benefits and entitlements of the Trustee in, to and under the Lease Assets of the relevant Series (the **Lease Assets**) as set out in (i) a master lease agreement (the **Master Lease Agreement**) dated 6 May 2014, entered into between the Trustee and ICD (in its capacity as lessee, the **Lessee**) and the Delegate and (ii) a supplemental lease agreement (as may from time to time be replaced in accordance with the provisions of the Sale Undertaking, the Purchase Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking (each as defined herein), the **Supplemental Lease Agreement**) for the relevant Series between the same parties (such assets forming part of the **Trust Assets** for the relevant Series).

The Trust Certificates may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Trust Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Trust Certificates.

**The Trust Certificates will be limited recourse obligations of the Issuer. An investment in Trust Certificates issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".**

This Base Prospectus has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (**EU**) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Trust Certificates issued under this Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the **Irish Official List**) and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC) (**MiFID**). This Base Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. Application has also been made to the DFSA for Trust Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities (the **DFSA Official List**) maintained by the DFSA and to NASDAQ Dubai for such Trust Certificates to be admitted to trading on NASDAQ Dubai. References in this Base Prospectus to Trust Certificates being listed (and all related references) shall mean that (a) such Trust Certificates have been admitted to trading on the Main Securities Market and have been admitted to the Irish Official List and/or (b) such Trust Certificates have been admitted to trading on NASDAQ Dubai and have been admitted to the DFSA Official List.

The Programme provides that Trust Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, ICD and the relevant Dealer. The Issuer may also issue unlisted Trust Certificates and/or Trust Certificates not admitted to trading on any market.

Notice of the aggregate face amount of the Trust Certificates, periodic distribution amounts (if any) payable in respect of the Trust Certificates, the issue price of the Trust Certificates and certain other information which is applicable to each Tranche will be set out in a final terms document (the **applicable Final Terms**) which, with respect to Trust Certificates to be listed on the Irish Stock Exchange, will be delivered to the Central Bank and the Irish Stock Exchange and, with respect to Trust Certificates to be listed on NASDAQ Dubai, will be delivered to the DFSA and NASDAQ Dubai.

The DFSA does not accept any responsibility for the content of the information included in this Base Prospectus, including the accuracy or completeness of such information. The liability for the content of this Base Prospectus lies with the Issuer and ICD. The DFSA has also not assessed the suitability of the Trust Certificates to which this Base Prospectus relates to any particular investor or type of investor and has not determined whether they are *Shari'a* compliant. If you do not understand the contents of this Base Prospectus or are unsure whether the Trust Certificates to which this Base Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The Trust Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable security laws of any state of the United States. For a description of certain restrictions on offers and sales of Trust Certificates and on the distribution of this Base Prospectus, see "*Subscription and Sale*".

The Issuer and ICD may agree with any Dealer that Trust Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Trust Certificates herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and *Sharia* Advisory Board of Dubai Islamic Bank PJSC, Dar Al Shari'a Legal & Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Sharia* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Sharia* principles.

## Arrangers and Dealers

Citigroup

Dubai Islamic Bank PJSC

Standard Chartered Bank

The date of this Base Prospectus is 6 May 2014.

This Base Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC Law No. 1 of 2012) and Chapter 2 of the Markets Rules and comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Issuer and ICD accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Trust Certificates issued under the Programme. To the best of the knowledge of the Issuer and ICD (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Trust Certificates will be issued on the terms set out herein under "*Terms and Conditions of the Trust Certificates*" as completed by the applicable Final Terms. This Base Prospectus must be read and construed together with any supplements hereto, and, in relation to any Tranche of Trust Certificates, the applicable Final Terms.

Copies of Final Terms will be available from the registered office of each of the Issuer and ICD and the specified office set out below of the Principal Paying Agent (as defined below).

Certain information contained in "*Risk Factors – Risks relating to ICD*", "*Relationship with the Government*", "*Description of ICD and the Group*" and "*Overview of the United Arab Emirates and the Emirate of Dubai*" (as indicated therein) has been extracted from independent, third party sources. Each of the Issuer and ICD confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant third party sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

None of the Dealers (as defined under "*Subscription and Sale*") or the Delegate has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer, the Trustee or ICD in connection with the Programme. No Dealer or the Delegate accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer, the Trustee or ICD in connection with the Programme.

No person is or has been authorised by the Issuer, ICD, the Dealers or the Delegate to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Trustee, ICD, the Dealers or the Delegate.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Trust Certificates (a) is intended to provide the basis of any credit or other evaluation save for making an investment decision on the Trust Certificates or (b) should be considered as a recommendation by the Issuer, the Trustee, ICD, the Dealers or the Delegate that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or the issue of any Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing any Trust Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Trustee and ICD. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Trust Certificates constitutes an offer or invitation by or on behalf of the Issuer, the Trustee, ICD, any of the Dealers or the Delegate to any person to subscribe for or to purchase any Trust Certificates.

Neither the delivery of this Base Prospectus nor any sale of any Trust Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein concerning the Issuer and/or ICD is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer, the Trustee or ICD during the life of the Programme or to advise any investor in the Trust Certificates of any information coming to their attention.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. None of the Issuer, the Trustee, ICD, the Dealers or the Delegate represents that this Base Prospectus may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Trustee, ICD, the Dealers or the Delegate which is intended to permit a public offering of any Trust Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of the Trust Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the Cayman Islands, the Dubai International Financial Centre, Japan, Singapore, Hong Kong, Malaysia, the Kingdom of Saudi Arabia, the State of Qatar (excluding the Qatar Financial Centre) and the United Arab Emirates (excluding the Dubai International Financial Centre), see "*Subscription and Sale*".

The Trust Certificates may not be a suitable investment for all investors. Each potential investor in the Trust Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates, the merits and risks of investing in the Trust Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including Trust Certificates with principal or profit (howsoever described) payable in one or more currencies, or where the currency for principal or profit (howsoever described) is different from the potential Investor's Currency (as defined herein);
- (d) understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Trust Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial

instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of the Trust Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

This Base Prospectus has been prepared on the basis that would permit an offer of Trust Certificates with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Trust Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Trust Certificates. Accordingly any person making or intending to make an offer of Trust Certificates in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer, the Trustee, ICD, any Dealer or the Delegate to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, the Trustee nor any Dealer have authorised, nor do they authorise, the making of any offer of Trust Certificates in circumstances in which an obligation arises for the Issuer, the Trustee or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own independent examination of the Issuer, the Trustee and ICD and the terms of the Trust Certificates being offered, including the merits and risks involved. The Trust Certificates have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

None of the Dealers, the Issuer, the Trustee, ICD or the Delegate makes any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Trust Certificates are legal investments for it, (b) the Trust Certificates can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Trust Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Trust Certificates under any applicable risk-based capital or similar rules.

## STABILISATION

**In connection with the issue of any Tranche of Trust Certificates, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Subscription Agreement may effect transactions with a view to supporting the market price of the Trust Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on the Issue Date of the relevant Tranche of Trust Certificates and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Trust Certificates and 60 days after the date of the allotment of the relevant Tranche of Trust Certificates. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### PRESENTATION OF GROUP FINANCIAL INFORMATION

The financial statements relating to the Group (as defined below) referred to in this Base Prospectus are as follows:

- (a) the unaudited interim condensed consolidated financial statements of the Group as of 30 June 2013 and for the six month period then ended, together with the notes thereto and the review report in respect thereof (the **2013 Interim Financial Statements**);
- (b) the audited consolidated financial statements of the Group as of 31 December 2012 and for the year then ended, together with the notes thereto and the audit report in respect thereof (the **2012 Financial Statements**); and
- (c) the audited consolidated financial statements of the Group as of 31 December 2011 and for the year then ended, together with the notes thereto and the audit report in respect thereof (the **2011 Financial Statements** and together with the 2013 Interim Financial Statements and the 2012 Financial Statements, the **Financial Statements**).

The 2012 Financial Statements and the 2011 Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and have been audited by Ernst & Young Middle East (Dubai Branch) (**EY**) (who have conducted their audit in accordance with the International Standards on Auditing), as stated in their unqualified reports appearing in this Base Prospectus. The 2013 Interim Financial Statements have been prepared in accordance with International Accounting Standard (**IAS**) No.34 *Interim Financial Reporting*, and have been reviewed by EY in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as stated in their report appearing in this Base Prospectus.

The Group publishes its financial statements in dirham.

### RESTATEMENT OF CERTAIN FINANCIAL INFORMATION

The Group applied IFRS 10 - Consolidated Financial Statements for the first time during the six month period ended 30 June 2013. As a result, the presentation of certain financial information in the consolidated statement of financial position included in the 2013 Interim Financial Statements differs from its presentation in the 2012 Financial Statements, as described in note 2.3 to the 2013 Interim Financial Statements. The impact of adoption of IFRS 10 - Consolidated Financial Statements by the Group is as follows:

	<b>Six month period</b>	<b>Year ended 31 December</b>	
	<b>ended 30 June</b>	<b>2012</b>	<b>2011</b>
	<b>2013</b>	<b>(AED'000)</b>	
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

Unless otherwise stated in this Base Prospectus, all financial information as at and for the years ended 31 December 2012 and 31 December 2011 relating to the Group and included in this Base Prospectus has been extracted from the 2012 Financial Statements and is not restated. Unless otherwise stated in this Base Prospectus, all financial information as of and for the six month periods ended 30 June 2013 and 30 June 2012 relating to the Group and included in this Base Prospectus has been extracted from the 2013 Interim Financial Statements and is not restated. The presentation of the consolidated financial information for the year ended 31 December 2011 included in the 2012 Financial Statements differs from its presentation in the 2011 Financial Statements because of the Group's early adoption of IAS No.19 *Employee Benefits*, as described in note 2.3 to

the 2012 Financial Statements. All financial information as at and for the year ended 31 December 2011 relating to the Group and included in this Base Prospectus (save for that set out in the 2011 Financial Statements included in this Base Prospectus on pages F-175 to F-304) has been extracted from the 2012 Financial Statements.

## **NON-GAAP MEASURES**

This Base Prospectus includes certain references to non-GAAP measures such as the Group's operating margin. The Group uses such non-GAAP measures to evaluate its performance, and this additional financial information is presented in this Base Prospectus. This information is not prepared in accordance with GAAP and should be viewed as supplemental to the Financial Statements. Investors are cautioned not to place undue reliance on this information and, in particular, should note that the operating margin as calculated by the Group, may differ materially from similarly titled measures reported by other companies.

As used in this Base Prospectus, operating margin for a period is the profit for the relevant period before income tax from continuing operations divided by the revenue for that period.

## **PRESENTATION OF OTHER INFORMATION**

In this Base Prospectus, references to:

- **Group** are to ICD and its consolidated subsidiaries;
- a **Member State** are, unless the context does not permit, references to a Member State of the European Economic Area;
- **U.S.\$** or **U.S. dollars** are to the lawful currency of the United States;
- **EUR, euro** or **€** are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended from time to time; and
- **AED, dirham** or **fil**s are to the lawful currency of the UAE. One dirham equals 100 fil.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S.\$ translations of dirham amounts appearing in this document have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

Some statements in this Base Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning ICD's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this Base Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors – Risks relating to ICD*", "*Operating and Financial Review*", "*Relationship with the Government*" and "*Description of ICD and the Group*" and other sections of this Base Prospectus. ICD has based these forward looking statements on the current view of its management with respect to future events and financial performance. Although ICD

believes that the expectations, estimates and projections reflected in its forward looking statements are reasonable as of the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which ICD has otherwise identified in this Base Prospectus, or if ICD's underlying assumptions prove to be incomplete or inaccurate, ICD's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors – Risks relating to ICD*", "*Operating and Financial Review*", "*Relationship with the Government*" and "*Description of ICD and the Group*", which include a more detailed description of the factors that might have an impact on the Group's business development and on the industry sectors in which the Group operates.

The risks and uncertainties referred to above include:

- ICD's ability to realise the benefits it expects from existing and future investments it is undertaking or plans to or may undertake;
- ICD's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and capital expenditures;
- actions taken by ICD's joint venture partners or associates that may not be in accordance with its policies and objectives;
- the economic and political conditions in the markets in the UAE and the wider region in which ICD operates; and
- changes in political, social, legal or economic conditions in the markets in which ICD and its customers operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, ICD expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

### **NOTICE TO UK RESIDENTS**

Any Trust Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" (**AFIBs**) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the **FSMA**)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Base Prospectus, any Final Terms and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at: (A) if the Trust Certificates are AFIBs and the distribution is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**), (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Trust Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes)

(Exemptions) Order 2001 (the **Promotion of CISs Order**), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to the Trust Certificates. Potential investors in the United Kingdom in any Trust Certificates which are not AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Trust Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Base Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

### **NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS**

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for any Trust Certificates and this Base Prospectus shall not be construed as an invitation to the public of the Cayman Islands to subscribe for any Trust Certificates.

### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

### **NOTICE TO RESIDENTS OF MALAYSIA**

Any Trust Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Trust Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or ICD and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.



## **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

This Base Prospectus does not and is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank. The Trust Certificates are not and will not be traded on the Qatar Exchange.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Capital Market Authority**).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of the Trust Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

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## **RISK FACTORS**

*Each of the Issuer and ICD believes that the following factors may affect its ability to fulfil its obligations in respect of the Trust Certificates issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor ICD is in a position to express a view on the likelihood of any such contingency occurring. References herein to the "Trustee" shall mean ICD Sukuk Company Limited acting in any capacity, except where the context does not permit.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Trust Certificates issued under the Programme are also described below.*

*If any of the risks described below actually materialise, the Issuer, ICD and/or the Group's business, results of operations, financial condition or prospects could be materially and adversely affected. If that were to occur, the trading price of the Trust Certificates could decline and investors could lose all or part of their investment.*

*Each of the Issuer and ICD believes that the factors described below represent all the material risks inherent in investing in the Trust Certificates issued under the Programme, but the inability of the Issuer or ICD to pay periodic distribution amounts, principal or other amounts on or in connection with any Trust Certificates may occur for other reasons which may not be considered significant risks by the Issuer and ICD based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER TRUST CERTIFICATES ISSUED UNDER THE PROGRAMME**

#### **Risk factors relating to the Issuer**

The Issuer was incorporated under the laws of the Cayman Islands on 15 January 2014 as an exempted company with limited liability. The Issuer will not engage in any business activity other than the issuance of Trust Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity of Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents.

The ability of the Issuer to pay amounts due on any Trust Certificates will be dependent upon receipt by it from ICD of all amounts due under the Transaction Documents to which it is a party which, in the aggregate, may not be sufficient to meet all claims under the relevant Trust Certificates and the Transaction Documents. As a result, the Issuer is subject to all the risks to which ICD is subject, to the extent such risks could limit ICD's ability to satisfy in full and on a timely basis, its obligations under the Transaction Documents to which it is a party. See "*Factors that may affect ICD's ability to fulfil its obligations under the Transaction Documents – Risk Factors relating to ICD*" for a further description of these risks.

### **FACTORS THAT MAY AFFECT ICD'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE TRANSACTION DOCUMENTS**

#### **RISKS RELATING TO ICD**

##### **Risks relating to ICD as an investment company**

*ICD relies on distributions and other revenue flows from its portfolio companies to meet its financial obligations*

ICD conducts its operations principally through, and derives most of its revenues from, its portfolio companies (i.e. its subsidiaries, associates and joint ventures) and does not have revenue-generating operations of its own

(see further "*Description of ICD and the Group – Operating Model*"). Consequently, ICD's cash flows and ability to meet its cash requirements, including its obligations in respect of the Trust Certificates, depend upon the profitability and cash flows from its portfolio companies.

ICD's portfolio companies are not providing guarantees or any other form of security with respect to the Trust Certificates, therefore investors in the Trust Certificates will not have any direct claim on the cash flows or assets of ICD's portfolio companies in the event of an insolvency of ICD and ICD's portfolio companies will have no obligation, contingent or otherwise, to pay amounts due in respect of the Trust Certificates, or to make funds available to ICD to make those payments.

ICD's portfolio companies have incurred debt financing in order to finance their operations and will continue to do so in the future; some of such debt financing could be substantial. In the event of the insolvency of any of ICD's portfolio companies, claims of secured and unsecured creditors of such entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of such entity over any claims that ICD or the creditors of ICD (such as the Certificateholders), as applicable, may have with respect to such assets. Accordingly, if ICD became insolvent at the same time, claims of the Certificateholders against ICD in respect of any Trust Certificates would be structurally subordinated to the claims of all such creditors of ICD's portfolio companies.

The Conditions do not restrict the amount of indebtedness which ICD or its portfolio companies may incur. The terms of the indebtedness of ICD's portfolio companies may contain covenants which prevent or restrict distributions to ICD until such time as the relevant indebtedness has been repaid. The ability of ICD's portfolio companies to pay dividends or make other distributions or payments to ICD will also be subject to the availability of profits or funds for such purpose which, in turn, will depend on the future performance of the portfolio company concerned which is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond their control. In addition, any such portfolio company may be subject to restrictions on the making of such distributions contained in applicable laws and regulations. There can be no assurance that the individual businesses of ICD's portfolio companies will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable ICD's portfolio companies to service their indebtedness, to fund their other liquidity needs and to make payments to ICD to enable it to meet its payment obligations in respect of the Trust Certificates.

***Almost all of ICD's portfolio companies and other assets are based in the UAE***

Almost all of ICD's current investments and assets are based in the UAE. As at 30 June 2013, the majority of ICD's aggregated assets were represented by portfolio companies domiciled in the UAE. The concentration of ICD's assets in the UAE exposes ICD to the prevailing economic and political conditions in the UAE and the Middle East and North Africa (MENA) region (see further "*– Risks relating to Dubai, the UAE and the Middle East*").

Should economic growth or performance in the UAE decline, or should the UAE be affected by political instability in the future, this could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects and, in turn, on the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD may have significant financing or refinancing requirements, the Government is not committed to provide financial or other support to ICD and the Government is not guaranteeing any of ICD's obligations in respect of the Trust Certificates***

ICD has in the past made, and anticipates that it may continue to make, significant capital and investment expenditures. ICD intends to finance its future expenditures and financial obligations through borrowings from third parties (including by way of the issue of Trust Certificates under the Programme), cash flow from ICD's portfolio companies and, in certain circumstances, in-kind capital contributions from the Government of Dubai (the **Government**).

ICD's ability to obtain external financing and the cost of such financing depend on numerous factors, including general economic and market conditions, international interest rates, the availability of credit from banks or other financiers, investor confidence in ICD and the Government, the financial condition of ICD and the performance of the individual businesses of ICD's portfolio companies. There can be no assurance that external financing will be available when required or, if available, that such financing will be obtainable on terms that are commercially acceptable to ICD. Although the Government has, in the past, provided non-monetary contributions to ICD from time to time (primarily in the form of land grants) to support ICD's investment objectives (see "*Operating and Financial Review – Factors Affecting Results of continuing Operations – Capital*" and "*Relationship with the Government – Funding, Support and Oversight from the Government*"), the Government is not legally obliged to fund any of ICD's investments and accordingly may decide not to do so in the future, even if the Government has previously approved the funding of the investment concerned. Furthermore, the Government is not guaranteeing any of ICD's obligations in respect of the Trust Certificates and the Certificateholders therefore do not benefit from any legally enforceable claim against the Government (see further "*Risks relating to ICD's relationship with the Government – ICD's financial obligations, including its obligations in respect of the Trust Certificates, are not guaranteed by the Government absent an explicit guarantee*").

If ICD is not able to obtain adequate financing to make capital and investment expenditures in the future, this could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects and therefore on the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD has a limited operating history, its past performance is not necessarily indicative of its future results and its historical consolidated financial statements may be difficult to compare from one financial period to another due to its investment activity in recent years***

ICD was incorporated on 3 May 2006 and, as such, its business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development or companies that have inherited assets from a government. As a business with a limited operating history, there can be no assurance that ICD will be successful in implementing its business plan or investment strategy, and the failure to do so could have an adverse effect on ICD's business, results of operations, financial condition and prospects. In addition, as a result of ICD's limited operating history, ICD's historical financial statements are not necessarily determinative of its likely future cash flows, results of operations or rate of growth, and its past performance should not be relied upon as an indication of its future performance.

Additionally, ICD has engaged in sizeable investment and divestment activities in recent years (see further "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Acquisitions and Disposals*"). Primarily as a result of such investment and divestment activities (including, for instance, the transfer of ownership of Dubai Real Estate Corporation (**DREC**) from ICD to the Government in June 2011 (see also "*Relationship with the Government – Funding, Support and Oversight from the Government – Management Autonomy*")), the Group's consolidated total assets decreased from AED 620.0 billion as at 31 December 2010 to AED 468.5 billion as at 31 December 2011, subsequently increasing to AED 533.6 billion as at 31 December 2012 and AED 586.8 billion as of 30 June 2013.

Furthermore, the presentation of (i) certain financial information in the consolidated statement of financial position included in the 2013 Interim Financial Statements differs from the presentation of the equivalent information in the 2012 Financial Statements because the Group applied IFRS 10 - Consolidated Financial Statements for the first time during the six month period ended 30 June 2013, as described in note 2.3 to the 2013 Interim Financial Statements and (ii) the consolidated financial information for the year ended 31 December 2011 included in the 2012 Financial Statements differs from its presentation in the 2011 Financial Statements because of the Group's early adoption of IAS 19 Employee Benefits, as described in note 2.3 to the 2012 Financial Statements.

Accordingly, the Group's historical consolidated financial statements may be difficult to compare from one financial period to another.

***ICD's investments may require significant capital and investment expenditures, which are subject to a number of risks and uncertainties***

ICD's investments may be highly capital intensive and such expenditure may materially and adversely affect the profits of ICD. ICD's actual capital and investment expenditures may be significantly higher or lower than planned amounts due to various factors, including, among others, unplanned cost overruns by ICD, ICD's ability to generate sufficient cash flows from investments and ICD's ability to obtain adequate financing or, as the case may be, refinancing for its planned capital and investment expenditures. ICD can make no assurances with regard to whether, or at what cost, its planned or other possible investments will be completed.

If any of the foregoing were to occur, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD and its portfolio companies depend significantly on the members of their respective boards of directors and senior management teams and the loss of any director or key member of their existing management teams or the failure to retain and attract qualified and experienced management could have a material adverse effect on ICD's and the Group's businesses***

ICD depends significantly on the diligence and skill of its board of directors (the **Board**) and senior management team for the execution of its investment strategy and final selection, structuring, completion and ongoing management of its investments (including its portfolio companies). In addition, if ICD's portfolio companies are unable to retain experienced, capable and reliable directors and senior and middle management with appropriate professional qualifications, or fail to recruit skilled professionals in line with their growth, their business and financial performance may suffer. This, in turn, may materially and adversely affect the business and financial performance of ICD, which is largely reliant on the sustained profitability and cash flows received from its portfolio companies.

ICD and the Group's continued success depends to a significant extent on the continued service and coordination of the senior management teams at the ICD and Group level. None of these individuals would be easy to replace at short notice and the departure of any of these individuals could materially and adversely affect ICD's ability to execute its investment strategy and the Group's overall business, results of operations, financial condition and prospects and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD may not be able to manage the growth of the Group successfully***

ICD's ability to achieve its investment objectives (see further "*Description of ICD and the Group – Investment Strategy*") will depend on its ability to grow and diversify its investment base, which will depend, in turn, on its ability to identify, invest in and monitor a suitable number of investments and implement the various aspects of its investment strategy. Acquisitions expose ICD to numerous risks, including challenges in managing the increased strategic and financial risks that come with the increased scope and geographic and sector diversity of its portfolio companies and asset classes. In addition, acquired businesses may be loss making when acquired by ICD and, unless and until they become profitable, this may significantly adversely affect the Group's, and therefore ICD's, results of operations in periods after the acquisition is effective and may increase ICD's and/or the Group's funding requirements.

Achieving growth on a cost-effective basis will be, in part, a function of how the investment process is structured, ICD's ability to reinvest its capital and ICD's ability to obtain additional capital on acceptable terms (see also "*Risks relating to ICD as an investment company – ICD may have significant financing or refinancing requirements, the Government is not committed to provide financial or other support to ICD and the Government is not guaranteeing any of ICD's obligations in respect of the Trust Certificates*"). Future growth may place a significant strain on ICD's managerial, operational, financial and other resources. The need to manage ICD's investments may require continued development of procedures and management controls, hiring and training additional personnel, as well as training and retaining its employee base. Such growth may also

significantly increase costs, including the cost of compliance arising from exposure to additional activities and jurisdictions.

If ICD is not successful in meeting the challenges associated with any significant acquisitions it may make or managing its growth successfully, this could have a material and adverse effect on ICD's business, results of operations, financial condition or prospects and could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD and the Group are subject to a range of financial risks***

ICD and the Group are, and may continue to be, exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in foreign exchange rates, interest rates and commodity prices. For instance, for the year ended 31 December 2012, an increase of 1 per cent. in market interest rates applicable to all the currencies in which the Group's non-banking operations have borrowings would have resulted in a decrease of AED 194.3 million in the Group's profit before tax. Further, ICD expects that it and other companies in the Group may seek a substantial amount of additional debt financing (including, in the case of ICD, under the Programme) to fund capital and investment expenditure and operations, and the cost of such financing will depend to a great extent on market interest rates. As a result, increases in interest rates in the future, to the extent that their effects are not adequately hedged (see also "*Description of ICD and the Group – Risk Management – Financial Risk*"), will increase ICD's funding costs and ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

Although currently almost all of its portfolio value is derived from companies based in the UAE (see "*Risks relating to ICD as an investment company – Almost all of ICD's portfolio companies and other assets are based in the UAE*") and all revenues and dividends received by ICD from its portfolio companies are received in U.S. dollars or dirhams (and, accordingly, ICD does not currently engage in any currency hedging activity), ICD may in the future become more exposed to the risk of currency fluctuations should its portfolio become more geographically diverse over time. In such case, exchange rate movements may have a significant impact on the value of ICD's investments (including the value of its portfolio companies) and ICD's assessment and estimates of future changes in exchange rates and its risk tolerance may materially impact its ability to protect successfully against currency fluctuations. In addition, while ICD may in the future enter into forward foreign exchange contracts to hedge against its exposure to currency fluctuations, ICD cannot give any assurance that any such hedging activities will sufficiently protect it from the adverse effects of such fluctuations. If ICD's currency hedging policies are unsuccessful, the value of investments in ICD's financial results and the income ICD receives could be significantly reduced.

ICD and the Group are also subject to a range of credit risks, equity price risks and liquidity risks (see generally "*Operating and Financial Review – Qualitative Disclosures about Financial Risk Management*"). Although ICD believes that it has in place appropriate risk management procedures, if any of the foregoing financial risks materialise and are not appropriately managed, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***During the ordinary course of business, ICD and its portfolio companies may become subject to lawsuits which could materially and adversely affect ICD and the Group***

From time to time, ICD and its portfolio companies may in the ordinary course of business be named as defendants in lawsuits, claims and other legal proceedings. These actions may seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. In the event that any such action is ultimately resolved against ICD or the relevant portfolio company, the outcome could materially and adversely affect that Group company's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect ICD's and its portfolio companies' businesses***

ICD and its portfolio companies are subject to laws and regulations enacted by national, regional and local governments. Such laws and regulations may relate to licensing requirements, environmental obligations, health and safety obligations, asset and investment controls and a range of other requirements. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time-consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and such changes could have a material adverse effect on the businesses, financial condition, results of operations and prospects of ICD and its portfolio companies. In addition, a failure to comply with applicable laws or regulations could have an adverse effect on the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

**Risks relating to ICD's investment activities**

***The Group is dependent on a few portfolio companies for substantially all of its consolidated revenues, and may be subject to revenue volatility experienced by these companies***

The Group derives substantially all of its consolidated revenues from a small number of its portfolio companies (for further detail, see "*Description of ICD and the Group – Subsidiaries, Associates and Joint Ventures*"). For the six month period ended 30 June 2013, dnata, Dubai Aluminium, Emirates, Emirates NBD PJSC and Emirates National Oil Company Limited (ENOC) LLC represented, in aggregate, 87 per cent. of the Group's revenue and 64 per cent. of the Group's net income. Each of these companies is subject to regional and global macro-economic factors. A decrease in the revenue or net income from any of these companies, or other portfolio company that becomes material to the Group's operations in the future, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***Certain of the investments made by ICD in companies or joint ventures are non-controlling stakes and ICD may be reliant on the expertise of its joint venture partners, which may expose ICD to additional risks***

Current or future investments in which ICD does not have, or ceases to have (for example, through divestitures), a controlling stake are subject to the risk that the other shareholders of the company in which the investment is made may have different business or investment objectives to ICD. As a result, such shareholders may have the ability to block and/or control business, financial or management decisions which ICD believes are crucial to the success of the investment concerned, or may take risks or otherwise act in a manner that does not take into account the interests of ICD.

In addition, any of ICD's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties that may materially and adversely affect ICD's investment. In certain of its joint ventures, ICD may be reliant on the particular expertise of its joint venture partners and any failure by any such partner to perform its obligations in a timely and/or diligent manner could also materially and adversely affect ICD's investment. ICD can give no assurance as to the future performance of any of its joint venture partners.

Furthermore, ICD's equity investments in such companies may be diluted if it does not participate in future equity or equity-linked fundraising opportunities.

If any of the foregoing were to occur, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.



***Not all of ICD's current investment portfolio is liquid, which may adversely affect ICD's ability to divest its investments or generate income or gains upon divestment***

ICD plays a key role in Dubai's long-term development strategy. Accordingly, the majority of ICD's current investment portfolio (in particular its portfolio companies) are buy and hold investments and it is likely, based on ICD's long-term investment approach (see further "*Description of ICD and the Group – Planning and Investment Process – New Investments Criteria*"), that a significant portion of ICD's future investments will require a long-term commitment of capital to facilitate the implementation of Dubai's development strategy. Additionally, although a material proportion of ICD's standalone (unaudited) total asset value is attributable to portfolio companies that are publicly held (and whose shares are publicly traded), ICD's long-term investment approach and the relative illiquidity of the remainder of its investments (which are privately held) may make it difficult to sell certain investments, and/or to realise the full value of all of its investments, if the need arises or if ICD determines it would be in its best interests to sell. In addition, if ICD were required to liquidate all or a portion of an investment quickly, it may realise significantly less than the carrying value of that investment. Such factors could materially and adversely affect ICD's business, financial condition, results of operations and prospects which could in turn affect its ability and, consequently, the Issuer's ability to perform their respective obligations in respect of any Trust Certificates.

***ICD is subject to the industry and business-specific risks faced by its portfolio companies***

ICD is an investment company and as such is largely dependent on the operations, revenues and cash flows generated by its portfolio companies and their valuations. ICD's portfolio companies are involved in a diverse range of businesses and operations and are subject to differing risks and challenges, largely depending on the industries in which they operate. ICD is also exposed to the specific risks affecting the projects or assets of its portfolio companies. In addition, ICD's exposure to these industry and business-specific risks may increase proportionally if ICD does not develop or maintain a diversified portfolio of investments.

Examples of the industry and business-specific risks to which ICD's portfolio companies are exposed include:

- the airline industry is a cyclical industry; in addition, recent years have seen significant fuel price increases and increased competition from regional competitors in the Gulf Cooperation Council (**GCC**) region. Furthermore, a global economic downturn and/or regional political upheaval may also affect the tourism industry. Each of these factors could adversely affect ICD's portfolio companies in the transportation segment (primarily, Emirates and dnata);
- performance of ICD's portfolio companies in the oil and gas products and services segment (primarily, Emirates National Oil Company Limited (ENOC) LLC (**ENOC**)) is highly dependent on global fuel prices;
- the operations of ICD's portfolio companies in the banking and financial services segment (primarily, Emirates NBD PJSC (**ENBD**) and Dubai Islamic Bank PJSC (**DIB**)) is influenced by conditions in the global financial markets and macroeconomic trends, as well as the regulatory environment and increased competition in the UAE and GCC financial services sector;
- the aluminium industry is a cyclical industry which has historically experienced significant demand and price volatility and overcapacity. In addition, the industrial manufacturing segment is highly dependent on continued access to an adequate gas supply. These factors can materially affect the performance of ICD's portfolio companies in the industrial segment (primarily, Emirates Global Aluminium PJSC (**EGA**) and Dubai Cable Company (Private) Ltd (**DUCAB**)); and
- the implementation and management of real estate projects by ICD's portfolio companies in the real estate sector (primarily, Emaar Properties PJSC (**Emaar**)) involves a number of risks, including delays or failure in obtaining the necessary governmental and regulatory permits, approvals and authorisation, significant capital expenditure requirements and a challenging economic environment for the real estate development sector. In particular, from 2009 to the end of 2012, and in part reflecting the effects of the

global economic crisis, the real estate market in Dubai suffered a significant decline. This decline was manifested in prolonged periods of falling sales prices and rental rates for residential units and falling rental rates for office accommodation before starting to recover in the first half of 2013.

Exposure of ICD's portfolio companies to these and other industry and business-specific risks may have an adverse effect on the business, financial condition, results of operations and prospects of these portfolio companies, which, in turn, may have an adverse effect on the Group's, and consequently ICD's, business, financial condition, results of operations and prospects and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***The industries in which the Group operates are highly competitive***

The financial services, transportation, energy and industrial (specifically metals and mining) sectors are highly competitive. ICD's portfolio companies compete with companies that may possess greater technical, physical and/or financial resources. For instance, in the case of ENOC, many of its competitors engage not only in oil and gas exploration and production but also have refining operations and market petroleum and other products on an international basis. As a result of these complementary activities, some of these competitors may have greater and more diverse competitive resources. If, in such cases, the relevant portfolio companies are unable to compete effectively, their business, results of operations, financial condition and prospects could be materially and adversely affected, which could materially and adversely affect the Group's business, results of operations, financial condition and prospects and in turn affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***Certain significant portfolio companies of ICD operate in specialised industries and are dependent on their ability to recruit and retain qualified executives, managers and skilled technical personnel and may be exposed to production disruptions caused by labour disputes***

Certain significant portfolio companies of ICD, in particular those operating in the transportation, energy and real estate and hospitality sectors, are dependent on the continued services and contributions of their executive officers and skilled technical and other personnel. The businesses of those companies could be adversely affected if they lose the services and contributions of some of these personnel and are unable to adequately replace them, or if they suffer disruptions to their production operations arising from labour or industrial disputes. In addition, these portfolio companies may be required to increase or reduce the number of employees in connection with any business expansion or contraction, in response to changes in the market demand for their products and services. Since these portfolio companies face intense competition for skilled personnel, there can be no assurance that they will be able to recruit and retain skilled personnel in a timely manner. As a result, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected and this could affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD is exposed to risks relating to the various strategic and operational initiatives that its portfolio companies may be pursuing and may not have the relevant information regarding the business operations of its publicly listed portfolio companies***

ICD does not direct the commercial or operational decisions of its portfolio companies, each of which are managed by their respective management teams and guided and supervised by their independent boards of directors.

ICD's portfolio companies may pursue strategic and operational initiatives that are deemed by their respective management teams as being necessary to further their business objectives such as pursuing acquisitions or divestments or undergoing significant operational reorganisations. Failure to execute any of these strategic and operational initiatives or to achieve the intended results could have a material adverse effect on the Group's business, financial condition, results of operations and prospects which could consequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD may pursue investment opportunities in countries in which it has no previous investment experience or in jurisdictions that are subject to greater social, economic and political risks***

Almost all of ICD's current investments and assets are based in the UAE (as at 30 June 2013, the majority of ICD's aggregated assets were represented by portfolio companies domiciled in the UAE). However, since its inception, ICD has sought, and continues to seek, new investments internationally, as part of its investment strategy. It may therefore undertake projects and make investments in countries in which it has little or no previous investment experience. As a result, ICD may not be able to assess the risks of investing in such countries adequately, notwithstanding advice from its advisers, and may be unfamiliar with the laws and regulations of such countries applicable to its projects and investments. ICD cannot guarantee that its strategy will be successful in such markets and it could lose some or all of the investment value in its international projects and investments.

In addition, investments made by ICD in emerging markets may involve a greater degree of risk than investments in developed countries. For example, emerging market investments may carry the risk of more volatile equity markets, less favourable and less sophisticated fiscal and commercial regulation, a greater likelihood of severe inflation, currency instability, exchange controls, restrictions on repatriation of profits and capital, corruption, political, social and economic instability (including warfare and civil unrest) and government actions or interventions, including tariffs, royalties, protectionism, subsidies, expropriation of assets and cancellation of contractual rights, than investments in companies based in developed countries. Investment opportunities in certain emerging markets may also be restricted by legal limits on foreign investment.

If any of the foregoing risks were to occur or if ICD failed to correctly identify the risks associated with an investment, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***Economic recessions or downturns could impair the value of ICD's portfolio companies or prevent ICD from increasing its investment base***

A significant proportion of ICD's investments are in companies that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and/or increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of ICD's affected portfolio companies to decline, in some cases significantly. In addition, during periods of adverse economic conditions, ICD may have difficulty accessing financial markets, which could make it more difficult to obtain funding for additional projects and/or investments and materially and adversely affect its business, financial condition, results of operations and prospects. See further "*Risks relating to Dubai, the UAE and the Middle East – ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East*".

In recent years, global markets, particularly in the United States and Europe, have experienced difficult conditions of varying intensity. A number of countries in Europe, such as Greece, Italy, Ireland, Portugal and Spain, have been particularly adversely affected by recent financial and economic conditions and are struggling with large public budget deficits. The public budget deficits, weak economies and the disruption in the capital markets necessitated rescue packages for Greece and Ireland in 2010, Portugal in May 2011 and further proposed assistance for Greece in the second half of 2011. The perceived risk of default on the sovereign debt of those countries intensified in the latter part of 2011 and continued into the early part of 2012, particularly in relation to Greece. This raised concerns about the contagion effect such a default would have on other European Union (EU) economies as well as the ongoing viability of the euro currency and the European Monetary Union (EMU). A further rescue package for Greece was finally agreed in February 2012 but remains subject to a number of uncertainties, including whether such package will be successful. In addition, other EU countries, including Spain and Italy, also face potential fiscal tightening and growth rates may remain weak in

the near future. Reflecting these and other concerns, in January 2012 one of the major international credit rating agencies lowered its long-term ratings in respect of nine European sovereigns, further increasing market uncertainty. Furthermore, the effectiveness of the actions aimed at stabilising European economies and reducing debt burdens is not assured and the possibility remains that the euro could be abandoned as a currency by countries that have already adopted its use or, in an extreme scenario, abandonment of the euro could result in the dissolution of the EMU. This would lead to the re-introduction of individual currencies in one or more EMU member states.

These challenging market conditions have resulted at times in greater volatility, reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets. The effects on the European and global economies of the potential dissolution of the EMU, exit of one or more EU member states from the EMU and the redenomination of financial instruments from the euro to a different currency, are impossible to predict fully.

In particular, and in part reflecting the effects of the global economic crisis, the UAE financial markets experienced comparatively reduced levels of liquidity from the third quarter of 2008 and through 2009. Liquidity is essential to the performance of the banking sector and, during this period, a number of measures were taken in an attempt to improve the liquidity levels in the UAE by the UAE Ministry of Finance and the Central Bank of the UAE (the **UAE Central Bank**) including, but not limited to, injections of liquidity/capital for UAE banks to provide liquidity to the market. While the liquidity of the UAE banking sector began to improve in 2010, and continues to improve to date, there is no guarantee that such improvement will continue in the future and any future shortage of liquidity in the UAE banking sector and financial markets in general could have an adverse effect on the businesses, financial condition, results of operations and prospects of ICD's portfolio companies, particularly those operating in the financial sector.

The financial performance of the Group has at times been adversely affected by these trends and could be adversely affected in the future by any deterioration of general economic conditions in the markets in which ICD's portfolio companies operate or any dissolution of the EMU or other changes affecting the euro, as well as by international trading market conditions and/or related factors. In addition, changes in the financial and real estate markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may also materially adversely affect the financial performance of the Group. Any of the above factors could materially and adversely affect ICD's business, results of operations, financial condition and prospects and, therefore, the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***The due diligence process that ICD undertakes in connection with new investments may not reveal all relevant facts***

Before making any new investment, ICD conducts due diligence as part of its planning and investment process (see further "*Description of ICD and the Group – Planning and Investment Process*"). The objective of the due diligence process is to identify and assess the viability of investment opportunities, through evaluating critical elements of each potential investment including, among other things, such investment's commercial prospects, its potential for value creation and the risks involved in making such investments. When conducting due diligence, ICD evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with an investment.

Third party consultants, including legal advisers, accountants, investment banks and industry experts, are involved in the due diligence process to varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, ICD can only rely on resources available to it, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as ICD could for information produced from its own internal sources. Furthermore, the due diligence process may at times be subjective and ICD can offer no assurance that any due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by ICD to identify

relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on ICD's business, financial condition, results of operations and prospects and could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

### **Risks relating to ICD's relationship with the Government**

See generally "*Relationship with the Government*".

#### ***ICD's financial obligations, including its obligations in respect of the Trust Certificates, are not guaranteed by the Government absent an explicit guarantee***

Although ICD is wholly-owned by the Government, ICD's obligations in respect of the Trust Certificates are not guaranteed by the Government. In addition, although in the past, the Government has provided funding to companies in which it has ownership interests, the Government is under no obligation to extend financial support to ICD and has not, to date, provided any financial support to ICD (which, for the avoidance of doubt, does not include non-monetary contributions made by the Government to ICD from time to time, primarily in the form of land grants). Accordingly, ICD's financial obligations, including its obligations in respect of the Trust Certificates, are not and should not be regarded as, obligations of the Government. ICD's ability to meet its financial obligations in respect of the Trust Certificates is solely dependent on its ability to fund such amounts from its operating revenues, profits and cash flows. Therefore any decline in ICD's operating revenues, profits and cash flows, or any difficulty in securing external funding, may have a material adverse effect on ICD's business, financial condition, results of operations and prospects and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

#### ***The Government's interests may, in certain circumstances, be different from the interests of the Certificateholders***

As ICD's owner, the Government is in a position to control the outcome of actions requiring owner approval and also appoints all the members of the Board and thus has the ability to influence the Board's decisions. For example, ICD may be asked by the Government to work on important strategic investments or divestments which will contribute to the overall economy of Dubai and decisions made by the Board may be influenced by the need to consider Government objectives, including strategic and development objectives. Notably, on 16 June 2011, H.H. The Ruler of Dubai issued *Law No. 11 of 2011 Amending Law No. 14 of 2007 Establishing Dubai Real Estate Corporation*, which divested ICD of its stake in DREC. From the date of issuance of this law, DREC came under the direct control of H.H. The Ruler of Dubai and accordingly ceased to be controlled by ICD. This was treated as a return of capital to the Government during 2011 based on the carrying value of such investment at the date of cessation of ICD's control over DREC amounting to AED 160.253 billion (see note 12 to the 2011 Financial Statements). In addition, in June 2009, the Government provided an AED 4 billion capital injection to ENBD by providing funds to ICD to fund ICD's purchase of AED 4 billion of mandatory convertible Tier 1 debt securities issued by ENBD. The capital injection was in order to help ENBD satisfy the regulatory capital requirements of the UAE Central Bank.

The interests of the Government may, therefore, from time to time differ from those of ICD's creditors, including the Certificateholders. In the furtherance of Dubai's strategic and development objectives, the Government may issue directives or orders to ICD to support a company or make any or further investments in (or divestments from) a company. Such decisions could result in ICD making investments or divestments for other than purely commercial reasons and/or on terms which may be adverse to the commercial interests of ICD. As a result, ICD may not receive optimal investment returns. Further, there can be no assurance that such strategic investments will receive any Government funding.

Accordingly, there can be no assurance that the Government will not exercise significant influence over the strategy, operations and general commercial affairs of ICD. This could have a material and adverse effect on

ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***The Government may alter its relationship with ICD***

The Government has the ability to limit or amend ICD's mandate, or limit the amount of support (financial or otherwise) provided to, or assets granted to, ICD. Any such actions by the Government could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***ICD may be required to make distributions to its owner, the Government***

As the owner of ICD, the Government has the right to request that ICD make distributions of profits or assets to the Government, in compliance with the laws of Dubai (including any orders of the Government) and the UAE (to the extent applicable in Dubai).

ICD, from time to time, makes distributions of dividends to the Government. Typically, such distributions are made at the discretion of the Board after having: (i) considered the best interests of ICD and the Group as a whole; (ii) applied its investment and other income towards, among other things, payment of interest and its maturing debt liabilities; and (iii) budgeted for a retention of certain of its income for future investment purposes and for ICD's own general corporate purposes. In addition, ICD contributes a portion of its annual revenue towards the Government's annual budget, although such amount is typically agreed between ICD and the Government prior to publication of each budget.

However, on rare occasions, distributions are made based on directives received from the Government as the owner of ICD. If ICD is directed to make significant further distributions or other contributions to the Government in the future, this could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates. See also "*Relationship with the Government – Distributions to the Government*".

***ICD's relationship with the Government may restrict its ability to make certain international investments***

Certain countries heavily regulate or restrict foreign direct investment, in particular by state-controlled enterprises. These regulations and restrictions are likely to be particularly relevant to investments in sectors considered to be strategically important to the country in which the investment is being made.

As a result, ICD's investment opportunities may be limited by regulatory constraints that arise, in particular, due to the Government's ownership of ICD. It is possible that in certain countries ICD will be prohibited from investing in particular sectors or, to the extent it is permitted to invest in a particular sector, its investments may be restricted or subject to governmental or regulatory approvals that may be difficult to obtain. If ICD is required to limit the scope of or forego attractive investment opportunities due to these restrictions or requirements, ICD's business, results of operations, financial condition or prospects could be materially and adversely affected and this could therefore affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

***Risks relating to Dubai, the UAE and the Middle East***

***ICD and the Group are subject to general political and economic conditions in Dubai, the UAE and the Middle East***

The Group currently has significant operations and interests in the UAE and, in particular, in Dubai where ICD is based. Investors should be aware that investments in emerging markets are subject to greater risks than those in more developed markets, including risks such as:

- political, social and economic instability;
- external acts of warfare and civil clashes;
- governments' actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- regulatory, taxation and other changes in law;
- difficulties and delays in obtaining new permits and consents for the Group's operations or renewing existing ones;
- potential lack of reliability as to title to real property in certain jurisdictions where the Group operates; and
- inability to repatriate profits and/or dividends.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Dubai enjoys a relatively diverse economy, with the oil and gas sector accounting for less than 1.5 per cent. of Dubai's GDP in 2012. However, any significant negative impact on international oil prices may have an impact on regional spending and liquidity and consequently is likely to affect Dubai's economy indirectly through its impact on the trade, construction, real estate, tourism and banking sectors in particular, given also the openness of the economy with no capital or exchange controls. Oil prices may fluctuate in response to changes in many factors over which the Group has no control. These factors include, but are not limited to:

- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand dynamics, and expectations regarding future supply and demand, for oil products;
- the ability of members of the Organisation of the Petroleum Exporting Countries (**OPEC**) and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and availability of new technologies; and
- global weather and environmental conditions.

In addition, the UAE has a relatively high ratio of banking assets (net of provisions for bad and doubtful loans and interest in suspense) to nominal GDP, at approximately 1.27:1 in 2012 (*source: UAE Central Bank and UAE National Bureau of Statistics*). Dubai is also dependent on expatriate labour and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to the Emirate.

Although world oil prices have risen considerably from the lows of around U.S.\$40 per barrel witnessed in February 2009, with prices ranging between approximately U.S.\$90 and approximately U.S.\$120 per barrel throughout the period from 2011 and 2013 (*source: OPEC Reference Basket Price*), oil prices remain volatile and have the potential to adversely affect Dubai's economy in the future. In addition, the credit crisis that occurred in the global financial markets, which was particularly acute in 2008 and 2009, and the resultant deterioration in the global economic outlook led to a general reduction in liquidity and available financing and generally increased financing costs during that time period. These events affected Dubai and the UAE in a number of ways. First, the UAE's GDP was adversely affected in 2009 reflecting the significant contributions of the oil and gas sector to the UAE's GDP and, in the case of Dubai, through the impact of these events on the construction and real estate sectors. Second, the UAE's trade surplus declined in 2009 reflecting the reduced value of hydrocarbon exports and its current account balance was additionally impacted as a result of declining services receipts and lower investment income. Third, certain entities wholly or majority-owned by the Government (**GREs**) suffered from asset value deterioration, limited cash flow and liquidity shortages as a result of the global financial crisis. Whilst not legally obliged to do so (under any guarantee or otherwise), the Government announced its intention to support certain GREs in order to maintain stability in the UAE economy, the banking system and investor confidence.

While macroeconomic indicators have since significantly improved and the Government has taken steps to prevent a repetition of the financial downturn, there can be no assurance that the economic performance of Dubai or the UAE can or will be sustained in the future or that Dubai or the UAE will not be affected by global and/or regional political or social instability in the future. To the extent that economic growth or performance in Dubai or the UAE slows or begins to decline or Dubai or the UAE are affected by political instability, this could have an adverse effect on the Group's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

#### ***ICD and the Group are subject to current regional political instability***

Although Dubai and the UAE enjoy domestic political stability and generally healthy international relations, as a country located in the MENA region, there is a risk that regional geopolitical instability could impact the country. It should be noted that since 2011 there has been significant political and social unrest in a number of countries in the MENA region, ranging from public demonstrations, sometimes violent, in countries such as Algeria, Bahrain, Egypt, Lebanon, Tunisia and Yemen, to armed conflict and civil war, in countries such as Libya and Syria. The situation has caused significant disruption to the economies of affected countries and has had a destabilising effect on oil and gas prices. Continued instability affecting the countries in the MENA region could adversely impact the UAE, although to date the negative impact on Dubai and the UAE has not been significant.

Other potential sources of instability in the region include a worsening of the situation in Iraq, a further deterioration in the current poor relations between the United States and each of Syria and Iran and an escalation in the Israeli-Palestinian conflict. A further deterioration, and possible conflict, between the United States, certain other governments, and Iran in particular, has the potential to adversely affect regional security as well as global oil and gas prices. Such a deterioration in relations, should it materialise, could adversely impact the UAE and broader regional security, potentially including the outbreak of a regional conflict.

ICD's and its portfolio companies' businesses and financial performance could be adversely affected by political or related developments both within and outside the Middle East (which in turn could result in a general downturn in, or instability of, the UAE economy) because of the inter-relationships between the global financial markets. Such factors could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects, and in turn affect the ability of ICD and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.



***The Group's business may be materially and adversely affected if the dirham/U.S. dollar peg were to be removed or adjusted***

The Financial Statements are presented in dirhams, 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.

As at the date of this Base Prospectus, the dirham remains pegged to the U.S. dollar. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that materially and adversely affects ICD. Any such de-pegging could have a material and adverse effect on ICD's business, results of operations, financial condition and prospects, and subsequently affect the ability of ICD to perform and, consequently, the Issuer to perform their respective obligations in respect of any Trust Certificates.

### **Statistical Information**

The statistical information in this Base Prospectus has been derived from a number of different identified sources. All statistical information provided in this Base Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH TRUST CERTIFICATES ISSUED UNDER THE PROGRAMME**

### **Risks related to the Trust Certificates**

#### ***The Trust Certificates are limited recourse obligations***

Trust Certificates to be issued under the Programme are not debt obligations of the Issuer or the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Issuer and the Trustee in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Trust Certificates. Upon the occurrence of a Dissolution Event or any early redemption of the Trust Certificates at the option of the Certificateholders pursuant to Condition 10.5, the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series) will be against ICD to perform its obligations under the Transaction Documents. Certificateholders will otherwise have no recourse to any assets of the Issuer, the Trustee (other than the Trust Assets) or (to the extent that it fulfils all of its obligations under the Transaction Documents) ICD in respect of any shortfall in the expected amounts due under the relevant Trust Assets.

ICD is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series) will have direct recourse against ICD to recover such payments pursuant to the Transaction Documents. After enforcing or realising the Trust Assets of a Series and distributing the net proceeds of such Trust Assets in accordance with Condition 4.2, the obligations of the Issuer and the Trustee in respect of the Trust Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Issuer or the Trustee to recover any further sums in respect of such Trust Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or take any steps for the winding-up of the Issuer or the Trustee and under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against ICD shall be to enforce the obligation of ICD to perform its obligations under the Transaction Documents.

***The Trust Certificates may be subject to optional redemption by the Issuer***

If so provided in the applicable Final Terms, a Series may be redeemed early at the option of the Issuer. Any such optional redemption feature of any Trust Certificates is likely to limit their market value. During any period when the Issuer may elect to redeem Trust Certificates, the market value of those Trust Certificates generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Trust Certificates when ICD's cost of financing is lower than the profit rate on the Trust Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The Trust Certificates may be redeemed prior to their final maturity date for tax reasons***

In the event that the amount payable on the Trust Certificates by the Issuer is required to be increased to include additional amounts as provided or if referred to in Condition 11 or if ICD (acting in its capacity as lessee) is required to pay such additional amounts pursuant to the terms of the relevant Lease Agreement to the extent they are required to be paid pursuant to the federal laws or regulations of the UAE then in force, in either case in certain circumstances as a result of any change in, or amendment to, the laws or regulations of (in the case of the Issuer) the Cayman Islands or any political subdivision or authority thereof or therein having power to tax or (in the case of ICD) the UAE or any political subdivision or any authority thereof or therein having power to tax, or in either case any change in the application of official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates, and in connection therewith ICD delivers an exercise notice to the Trustee in accordance with the Sale Undertaking, the Issuer shall redeem all (but not some only) of the Trust Certificates upon giving notice in accordance with the Conditions of the Trust Certificates.

***Consents to variation of Transaction Documents and other matters***

The Conditions of the Trust Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions of the Trust Certificates also provide that the Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement or any other Transaction Document, or determine, without any such consent as aforesaid, that any Dissolution Event (as defined in Condition 13) or potential Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest error or (c) such modification (other than where it relates to a Reserved Matter), waiver, authorisation or determination is not, in the opinion of the Delegate, materially prejudicial to the interests of the Certificateholders.

***Reliance on Euroclear and Clearstream, Luxembourg procedures***

The Trust Certificates of each Tranche will be represented on issue by a Global Trust Certificate that will be deposited with a common depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Except in the circumstances described in each Global Trust Certificate, investors will not be entitled to receive Trust Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in Global Trust Certificates. While the Trust Certificates of any Tranche are represented by

a Global Trust Certificate, investors will be able to trade their beneficial interests in the Global Trust Certificates only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Trust Certificates are represented by a Global Trust Certificate, the Issuer will discharge its payment obligations under the Trust Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Trust Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Trust Certificates. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Trust Certificate.

Holders of beneficial interests in a Global Trust Certificate will not have a direct right to vote in respect of the Trust Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### ***Sharia requirements in relation to judgment interest***

In accordance with applicable *Sharia* principles, each of the parties thereto will waive all and any entitlement it may have to judgment interest awarded in its favour by any court in connection with any dispute under any Transaction Document to which it is a party. Should there be any delay in the enforcement of a judgment given against ICD, judgment interest could accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

### ***Sharia rules***

The *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the *Fatwa* and *Sharia* Advisory Board of Dubai Islamic Bank PJSC, Dar al Shari'a Legal & Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank have each confirmed that the Transaction Documents are, in their view, *Sharia* compliant. However, there can be no assurance that the Transaction Documents or any issue and trading of any Trust Certificates will be deemed to be *Sharia* compliant by any other *Sharia* board or *Sharia* scholars. None of the Issuer, the Trustee, ICD or the Dealers makes any representation as to the *Sharia* compliance of any Tranche and potential investors are reminded that, as with any *Sharia* views, differences in opinion are possible. Potential investors should obtain their own independent *Sharia* advice as to the compliance of the Transaction Documents and the issue and trading of any Tranche with *Sharia* principles.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under certain of the Transaction Documents would be, if in dispute, either the subject of arbitration under LCIA Arbitration Rules or proceedings in the courts of the Dubai International Financial Centre (**DIFC**) or England (as the case may be). In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document rather than *Sharia* principles in determining the obligation of the parties.

### **Risk factors relating to taxation**

#### ***Taxation risks on payments***

Payments made by ICD to the Trustee under the Transaction Documents or by the Issuer in respect of the Trust Certificates could become subject to taxation. The Transaction Documents each require ICD to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 provides that the Issuer is required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of Cayman Islands or the UAE or any Emirate thereof in certain circumstances. In the event that the Issuer fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Trust Certificates to Certificateholders, ICD (acting in its capacity as Obligor) has in the Purchase Undertaking unconditionally and irrevocably undertaken

(irrespective of the payment of any fee), as a continuing obligation, to pay to the Issuer (for the benefit of the Certificateholders) by payment to the Transaction Account in the Specified Currency by wire transfer for same day value an amount equal to such additional amounts so that the full amount which would otherwise have been due and payable under the Trust Certificates is received by the Trustee.

### ***EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income, which may include Periodic Distribution Amounts, paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, none of the Issuer, ICD nor any Paying Agent (as defined in the Conditions of the Trust Certificates) nor any other person would be obliged to pay additional amounts with respect to any Trust Certificate as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

### ***Payments made on or with respect to the Trust Certificates may be subject to U.S. withholding tax***

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. Whilst the Trust Certificates are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with

any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Trust Certificates are discharged once it has paid the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act*".

## **Risk factors relating to the Lease Assets**

### ***Ownership of Lease Assets***

In order to comply with the requirements of *Sharia*, an undivided ownership interest in the Assets (as defined in the relevant Supplemental Purchase Agreement) will pass to the Trustee under the relevant Purchase Agreement (as defined in the Conditions) and the Trustee will lease them as the relevant Lease Assets to ICD under the relevant Lease Agreement (as defined in the Conditions). The Trustee will declare a trust in respect of the relevant Lease Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Trust Deed (as defined in the Conditions). Accordingly, Certificateholders will, through the ownership interest obtained by the Trustee pursuant to the terms of the relevant Purchase Agreement, have an undivided ownership interest in the relevant Lease Assets.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any relevant Assets (and therefore, any relevant Lease Assets) of any Series. The relevant Assets will be selected by ICD, and the Certificateholders, the Issuer, the Trustee and/or the Delegate will have no ability to influence such selection. Only limited representations will be obtained from ICD in respect of the relevant Assets of any Series. No steps will be taken to perfect the legal transfer of the ownership interest (including registration) in the relevant Assets of any Series.

### ***Transfer of the Lease Assets***

No investigation has been or will be made as to whether the Asset in respect of any Series may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the relevant Purchase Agreement will have the effect of transferring the relevant Assets of the relevant Series.

Nevertheless, as indicated earlier, the Certificateholders will not have any rights of enforcement as against the relevant Lease Assets and their rights are limited to: (i) enforcement against ICD of its obligation to purchase all or part (as the case may be) of the relevant Lease Assets pursuant to the terms of the Purchase Undertaking in accordance with the terms of the Transaction Documents; and (ii) upon any failure to comply with its obligations under the Transaction Documents as described in this Base Prospectus, a *pro rata* share of the proceeds of the enforcement thereof.

By way of further assurance, ICD has covenanted in the Master Trust Deed and the Purchase Undertaking, among other things, that (i) it shall irrevocably and unconditionally fully accept all or any ownership interest ICD Sukuk Company Limited may have in the relevant Lease Assets, (ii) to the extent that any transfer of any of the Lease Assets is not (or is alleged not to be) effective in any jurisdiction for any reason, it will make restitution in respect of those Lease Assets in an amount equal to the purchase price therefor and (iii) if that interest is disputed or challenged or if such transfer is not effective as aforesaid, it shall (as an independent, severable and separately enforceable obligation) fully indemnify ICD Sukuk Company Limited for the purpose of redemption in full or in part, as the case may be, of the Trust Certificates and, accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (as defined in the Purchase Undertaking) (see "*Summary of the Principal Transaction Documents – Purchase Undertaking*").

### ***Total Loss Event***

As owner of the Lease Assets relating to each Series, ICD Sukuk Company Limited (in its capacity as lessor) is required, among other things, to insure the relevant Lease Assets. The Trustee has delegated this obligation to

ICD, as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the relevant Lease Assets in the name of the Trustee against the occurrence of a Total Loss Event in an amount which is at all times at least equal to the Full Reinstatement Value (as defined in the Servicing Agency Agreement). A **Total Loss Event** is defined as the total loss or destruction of, or damage to the whole of, the relevant Lease Assets or any event or occurrence that renders the whole of the relevant Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the relevant Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Nevertheless, should such an event occur the relevant Lease will terminate, ICD (as lessee) will be obliged to pay all accrued but unpaid rental up to (and including) the date on which the Total Loss Event occurred and the Trust Certificates of the relevant Series will be repaid using the proceeds of the insurance received by the Trustee. In this scenario, potential investors should be aware that there may be a delay in the Trustee receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Amount in respect of their Trust Certificates. In this regard, the Servicing Agency Agreement provides that if the insurance proceeds for an amount equal to the Full Reinstatement Value are not paid into the relevant Transaction Account within 30 days of the occurrence of the Total Loss Event, ICD, as servicing agent, shall have failed in its responsibility to properly insure the relevant Lease Assets and accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) ICD shall be responsible for paying any shortfall, plus any other amounts then due and payable under the Transaction Documents, on the 31st day after the occurrence of the Total Loss Event or, if such day is not a Payment Business Day (as defined in the Conditions) on the immediately following Payment Business Day. The Delegate will be entitled to enforce this undertaking against ICD on behalf of the Certificateholders of the relevant Series.

## **Risk factors relating to enforcement**

### ***Change of law***

The structure of each issue of Trust Certificates under the Programme is based on English, UAE and Dubai law and administrative practices in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to English law, UAE law or Dubai law or administrative practices in any such jurisdiction after the date of this Base Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Trust Certificates or of ICD to comply with its obligations under the Transaction Documents.

### ***Enforcing foreign judgments and arbitral awards in Dubai***

Ultimately the payments under the Trust Certificates are dependent upon ICD making payments to the Trustee in the manner contemplated under the Transaction Documents. If ICD fails to do so, it may be necessary to bring an action against it to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time-consuming.

The Trust Certificates, the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution and Purchase of Additional Assets Undertaking and the Programme Agreement (as defined in "*Subscription and Sale*") (the **English Law Documents**) are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA in the Dubai International Financial Centre (the **DIFC**). Under the English Law Documents, any dispute may also be referred to the courts in England or the courts in the DIFC.

ICD is a UAE company and is incorporated in and has its operations and the majority of its assets located in the UAE. To the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts. Furthermore, under current Dubai law, the courts are unlikely to

enforce an English judgement without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the relevant English Law Document. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (**Law No. 16 of 2011**) came into force in Dubai on 31 October 2011 and extended the jurisdiction of the DIFC courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC courts, even where such parties are unconnected to the DIFC. Under Article 7 of Law No. 16 of 2011, any final and unappealable judgment, decision or order made by the DIFC courts and any arbitral award ratified by the DIFC courts must, upon application to the Dubai Court of Execution, be enforced without that court being able to reconsider the merits of the case. As a result, and as any dispute under the English Law Documents may be referred to arbitration in the DIFC and/or referred to the DIFC courts as aforesaid, the DIFC courts should recognise the choice of English law as the governing law of such English Law Documents, and any final and unappealable judgment of the DIFC courts and any arbitral award ratified by the DIFC courts in each case in connection therewith should be enforced by the Dubai courts without reconsidering the merits of the case. Certificateholders should note however that, as at the date of this Base Prospectus, Law No. 16 of 2011 remains relatively new and largely untested and there is therefore no certainty as to how the DIFC courts intend to exercise their jurisdiction under the law should any party dispute the right of the DIFC courts to give effect to a DIFC arbitral award and/or to hear a particular dispute where any party is unconnected to the DIFC, nor is there any certainty that the Dubai Court of Execution will enforce the arbitral award made in the DIFC (as described above) or the judgment of the DIFC court without reconsidering the merits of the case.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

### ***Claims for specific enforcement***

In the event that ICD fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by ICD to perform its obligations as set out in the Transaction Documents.

### ***The waiver of immunity by ICD may not be effective under the laws of the UAE***

UAE law provides that public or private assets owned by the UAE or any of the emirates therein may not be confiscated. Since ICD is wholly-owned and controlled by the Government, there is a risk that the assets of ICD may fall within the ambit of government assets and as such cannot be attached or executed upon.

In connection with the Trust Certificates to be issued under the Programme, ICD has waived its rights in relation to sovereign immunity; however, there can be no assurance as to whether such waiver of immunity from execution or attachment or other legal process under the Transaction Documents to which it is party are valid and binding under the federal laws of the UAE as applicable in Dubai.

## **Risks related to the market generally**

### ***The secondary market generally***

Trust Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Trust Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

### ***Exchange rate risks and exchange controls***

The Issuer will pay the face amount and profit on the Trust Certificates and ICD will make any payments under the Transaction Documents in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Issuer does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Trust Certificates, (b) the Investor's Currency equivalent value of the face amount payable on the Trust Certificates and (c) the Investor's Currency equivalent market value of the Trust Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or ICD to make payments in respect of the Trust Certificates. As a result, investors may receive less profit or amount in respect of the face amount of such Trust Certificates than expected, or no such profit or face amount. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Trust Certificate may not be available at such Trust Certificate's maturity.

### ***Interest or profit rate risks***

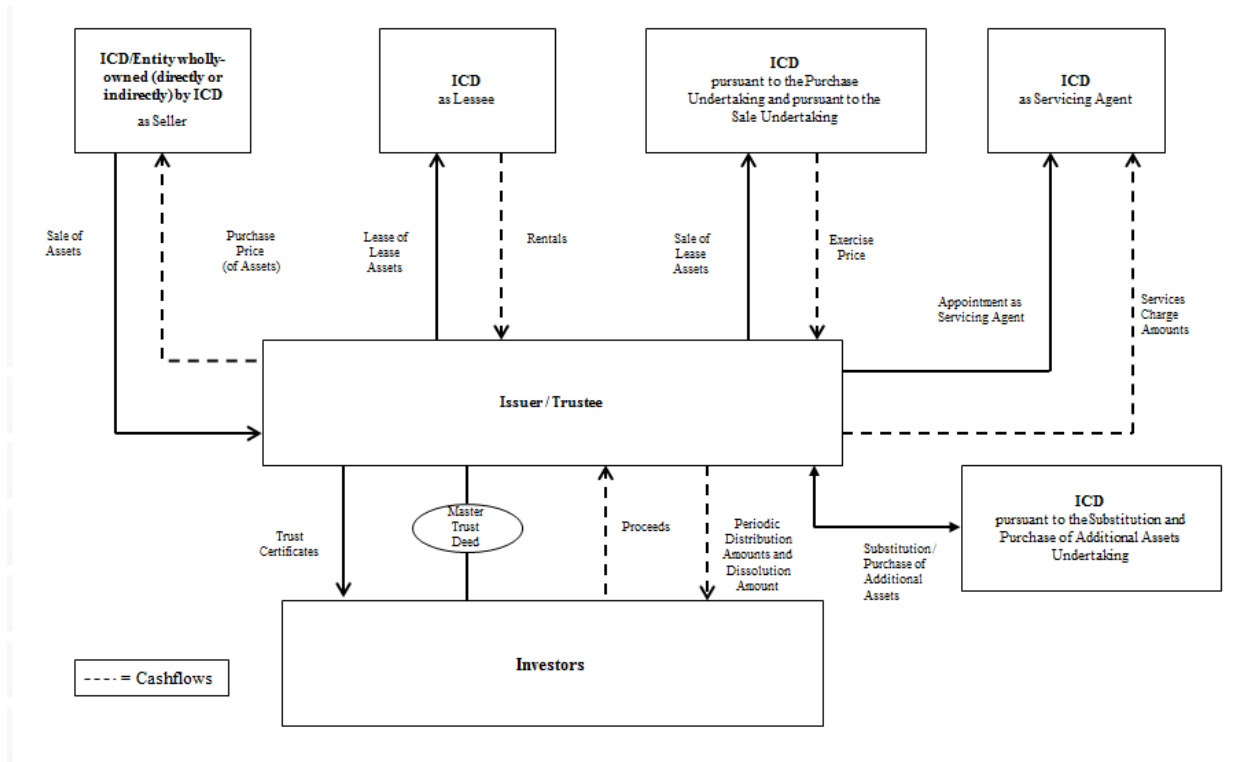
Investment in Fixed Rate Trust Certificates involves the risk that if market interest or profit rates subsequently increase above the rate paid on the Fixed Rate Trust Certificates, this will adversely affect the value of the Fixed Rate Trust Certificates.



## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Tranche issued. Potential investors are referred to the terms and conditions of the Trust Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Base Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



### Principal cash flows

#### *Purchase of the Assets*

On the Issue Date of each Tranche, the relevant Certificateholders will pay the issue price in respect of the issue of Trust Certificates to the Issuer and the Trustee will pay such amount to ICD (in the case of the first Tranche of a Series) as the purchase price payable under the relevant Supplemental Purchase Agreement for the relevant Assets or (in the case of each subsequent Tranche of such Series) as the purchase price payable under the relevant sale agreement entered into pursuant to the Substitution and Purchase of Additional Assets Undertaking for the relevant Additional Assets.

#### *Lease of Lease Assets*

On the Issue Date of the first Tranche of the relevant Series, the Trustee will agree to lease, and ICD will agree to take on lease, the Assets as the relevant Lease Assets for a term which will equal the tenor of the Trust Certificates of such Series. ICD (as lessee) will make rental payments to the Trustee (as lessor) and the amount of each such rental payment will (after satisfaction of the relevant services charge amount (as further described below)) be equal to the periodic distribution amount payable for the corresponding period under the Trust Certificates which the Issuer will pay the Certificateholders on each Periodic Distribution Date.

### ***Redemption of the Trust Certificates***

At maturity of the relevant Series of Trust Certificates or upon any earlier date for redemption or repayment of all or some (as the case may be) of the Trust Certificates, pursuant to the Purchase Undertaking or, as applicable, the Sale Undertaking, the Trustee will sell, and ICD will buy, all or part of (as the case may be) the Lease Assets at an exercise price which will be equal to (i) the outstanding face amount of the Trust Certificates being redeemed; (ii) any accrued and unpaid Periodic Distribution Amounts owing to the Certificateholders in respect of such Trust Certificates; (iii) (only where the relevant Trust Certificates are to be redeemed in full and save to the extent previously paid as rental under the relevant Lease Agreement) any services charge amount (as described below) due and owing; and (iv) any other amounts payable on redemption of the relevant Trust Certificates as specified in the applicable Final Terms. The Issuer will use the exercise price received to pay the Dissolution Amount and all accrued but unpaid Periodic Distribution Amounts to the holders of such Trust Certificates.

### ***Appointment of Servicing Agent***

The Trustee will appoint ICD as its servicing agent to carry out certain of its obligations under the Lease Agreement, namely the obligation to undertake any major maintenance, insurance and payment of taxes in connection with the Lease Assets. The Trustee will reimburse ICD for any expenses (referred to as services charge amounts) incurred by it in undertaking these duties.

### ***Substitution of Lease Assets and Purchase of Additional Assets***

In relation to each Series, the Trustee has granted ICD the right to require the Trustee to (i) sell any or all of the relevant Lease Assets (the **Substituted Assets**) to it in exchange for new assets of a value which is equal to or greater than the value of the Substituted Assets and/or (ii) in connection with the exercise by the Issuer of its rights under Condition 19 to issue additional Trust Certificates, purchase all of ICD's, or as the case may be, the applicable seller entity's, rights, title, interests, benefits and entitlements in, to and under certain additional assets (the **Additional Assets**) in consideration for the payment by the Trustee (as purchaser) to ICD (as seller) of the purchase price therefor pursuant to the relevant sale agreement (such purchase price being equal to the proceeds of the related issuance of additional Trust Certificates). Such rights have been granted by the Trustee to ICD pursuant to the Substitution and Purchase of Additional Assets Undertaking, to be supplemented at the time of each such substitution or (as applicable) purchase by a sale agreement substantially in the form annexed to the Substitution and Purchase of Additional Assets Undertaking and containing the specific terms applicable to the relevant substitution or (as applicable) purchase.

On the date upon which any sale agreement is entered into in connection with the creation and issuance of additional Trust Certificates pursuant to the provisions described in the preceding paragraph (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the relevant Additional Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the additional Trust Certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed. In addition, the Trustee and ICD will re-execute the relevant Supplemental Lease Agreement in the manner described in the relevant additional assets notice delivered in accordance with the Substitution and Purchase of Additional Assets Undertaking.

## OVERVIEW OF THE PROGRAMME

*This overview must be read as an introduction to this Base Prospectus. Any decision by any investor to invest in any Trust Certificates should be based on a consideration of this Base Prospectus as a whole. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Trust Certificates, is completed by the applicable Final Terms.*

The Issuer and ICD may agree with any Dealer and the Delegate (as defined herein) that Trust Certificates may be issued in a form not contemplated by the Terms and Conditions of the Trust Certificates (the **Conditions**) herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Words and expressions defined in "*Form of the Trust Certificates*" and "*Terms and Conditions of the Trust Certificates*" shall have the same meanings in this overview.

Certain Transaction Documents are described in more detail in "*Summary of the Principal Transaction Documents*" below.

Issuer, Trustee, Purchaser and Lessor:	ICD Sukuk Company Limited, an exempted company incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands. The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Seller, Lessee, Servicing Agent and Obligor:	Investment Corporation of Dubai.
Ownership of the Issuer:	The authorised share capital of the Issuer is U.S.\$50,000 consisting of 50,000 shares with a nominal value of U.S.\$1 each, of which 250 shares are fully paid up and issued. The Issuer's entire issued share capital is held by MaplesFS Limited on trust for charitable purposes.
Administration of the Issuer:	The affairs of the Issuer are managed by MaplesFS Limited (the <b>Issuer Administrator</b> ), who provide, amongst other things, certain administrative services for and on behalf of the Issuer pursuant to a Corporate Services Agreement dated 1 April 2014 between the Issuer and the Issuer Administrator (the <b>Corporate Services Agreement</b> ).
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Trust Certificates issued under the Programme and ICD's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Trust Certificates issued under the Programme. These are set out under " <i>Risk Factors</i> ".
Arrangers and Dealers:	Citigroup Global Markets Limited Dubai Islamic Bank PJSC Standard Chartered Bank

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each Tranche denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").

**Trust Certificates having a maturity of less than one year**

Trust Certificates having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 (or if the Trust Certificates are denominated in a currency other than sterling, the equivalent amount in such currency), see "*Subscription and Sale*".

Delegate: Citicorp Trustee Company Limited

Principal Paying Agent: Citibank, N.A., London Branch

Registrar: Citigroup Global Markets Deutschland AG

Programme Size: Up to U.S.\$2,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and ICD may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Issuance in Series: Trust Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Trust Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of periodic distribution amounts thereon and the date from which periodic distribution amounts start to accrue.

Distribution: Trust Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, ICD and the relevant Dealer.

Maturities: The Trust Certificates will have such maturities as may be agreed between the Issuer, ICD and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: Trust Certificates may be issued on a fully-paid basis and at an issue price as specified in the applicable Final Terms.

Form of Trust Certificates: The Trust Certificates will be issued in registered form as described in "*Form of the Trust Certificates*".

Clearance and Settlement:	<p>Holders of the Trust Certificates must hold their interest in the relevant Global Trust Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.</p>
Periodic Distributions:	<p>Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.</p>
Scheduled Redemption of Trust Certificates:	<p>Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Trust Certificates shall be redeemed by the Issuer at the Final Dissolution Amount specified in the applicable Final Terms together with all accrued and unpaid Periodic Distribution Amounts on the Maturity Date specified in the applicable Final Terms and the relevant Trust will be dissolved by the Trustee following payment of such amount in full.</p>
Dissolution Date:	<p>The Dissolution Date shall be, as the case may be: (i) following the occurrence of a Dissolution Event (as defined in Condition 13), the date on which the Trust Certificates are dissolved in accordance with the provisions of Condition 13; (ii) the Optional Dissolution Date; (iii) the Tax Dissolution Date; (iv) the Certificateholder Put Right Date; (v) the Change of Control Put Date; (vi) the Total Loss Dissolution Date; or (vii) such other date as is specified in the applicable Final Terms for the redemption of Trust Certificates and dissolution of the Trust in whole or in part prior to the Maturity Date.</p>
Dissolution Events:	<p>The Dissolution Events are described in Condition 13. Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed in full on the applicable Dissolution Date at the applicable Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 13.</p>
Early Dissolution for Tax Reasons:	<p>Upon the occurrence of a Tax Event and subject to certain conditions, the Issuer shall, following receipt of an exercise notice from ICD pursuant to the Sale Undertaking, redeem the Trust Certificates in whole but not in part at an amount equal to the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts on the relevant Tax Dissolution Date and, if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, the Tax Dissolution Date must be a Periodic Distribution Date.</p>
Optional Dissolution (Call):	<p>If so specified in the applicable Final Terms, ICD may, in accordance with Condition 10.3, require the Issuer to redeem all or some of the Trust Certificates of the relevant Series at the applicable Optional Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.3.</p>
Certificateholder Put Right:	<p>If so specified in the applicable Final Terms, Certificateholders may, in accordance with Condition 10.5(a), elect to redeem their Trust Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at the applicable Optional Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.5(a).</p>

Change of Control Put Right: If so specified in the applicable Final Terms, upon the occurrence of a Change of Control, Certificateholders may, in accordance with Condition 10.5(b), elect to redeem their Trust Certificates on the relevant Change of Control Put Date at the applicable Change of Control Dissolution Amount together with all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.5(b).

A **Change of Control Event** shall occur each time the government of the Emirate of Dubai (the **Government**) or any other department, agency, authority or entity wholly-owned by the Government:

- (i) sells, transfers or otherwise disposes of any of its ownership interest in ICD, other than to an entity directly or indirectly wholly-owned by the Government; or
- (ii) otherwise ceases to own (directly or indirectly) the entire ownership interest in ICD.

Total Loss Event: The occurrence of a Total Loss Event will result in the redemption of the Trust Certificates of that Series and the consequent dissolution of the relevant Trust. The Servicing Agent is responsible for ensuring that, in the event of a Total Loss Event occurring, all insurance proceeds in respect thereof are paid in the Specified Currency directly into the relevant Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

If the obligations of the Servicing Agent to insure the relevant Lease Assets under the Servicing Agency Agreement are not strictly complied with and, as a result, any insurance amounts paid as aforesaid are less than the Full Reinstatement Value of the Lease Assets (the difference between the amount (if any) paid into the Transaction Account and such Full Reinstatement Value being the **Total Loss Shortfall Amount**), the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceedings is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) will irrevocably and unconditionally indemnify the Trustee for the Total Loss Shortfall Amount plus all other amounts then due and payable under the Transaction Documents, which will be payable directly into the Transaction Account on the 31st day following the occurrence of the Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day.

For these purposes, **Full Reinstatement Value** means the then aggregate face amount of the Trust Certificates plus all other amounts then due and payable by the Issuer under the Trust Certificates.

Upon the occurrence of a Total Loss Event, all of the accrued but unpaid Rental pursuant to the relevant Lease Agreement shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Trust Certificates together with all accrued and unpaid Periodic Distribution Amounts.

Cancellation of Trust  
Certificates held by ICD and/or  
its Subsidiaries:

ICD and/or any of its Subsidiaries may at any time purchase Trust Certificates at any price in the open market or otherwise. Following any purchase of Trust Certificates, ICD or its Subsidiary, as the case may be, may at its option hold or resell such Trust Certificates. Should ICD wish to cancel any Trust Certificates so purchased, it shall deliver an Exercise Notice to the Trustee (in accordance with the terms of the Sale Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale Undertaking, be obliged to transfer all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets (as specified in the relevant Exercise Notice) to ICD in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by ICD and the Trustee entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the entry into such sale agreement, the Issuer shall procure the cancellation of the relevant Trust Certificates identified for cancellation in the Exercise Notice on the Cancellation Date (which shall be a Periodic Distribution Date).

Substitution of Lease Assets by  
ICD:

Pursuant to the Substitution and Purchase of Additional Assets Undertaking, ICD may, at any time, exercise its option to substitute on any Substitution Date some or all of the relevant Lease Assets with New Lease Assets (as specified in the relevant Substitution Notice) having a value which is equal to or greater than the value of the Lease Assets being substituted.

Purchase of Additional Assets  
upon issuance of additional  
Trust Certificates pursuant to  
Condition 19:

Pursuant to the Substitution and Purchase of Additional Assets Undertaking and in connection with the exercise by the Issuer of its rights under Condition 19 to issue additional Trust Certificates, ICD may require the Trustee to purchase all of ICD's, or as the case may be, the applicable seller entity's, rights, title, interests, benefits and entitlements in, to and under certain Additional Assets in consideration for the payment by the Trustee (as purchaser) to ICD (as seller) of the purchase price therefor pursuant to the relevant sale agreement (such purchase price being equal to the proceeds of the related issuance of additional Trust Certificates).

On the date upon which any sale agreement is entered into in connection with the creation and issuance of additional Trust Certificates pursuant to the provisions described in the preceding paragraph (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the relevant Additional Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the additional Trust Certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed. In addition, the Trustee and ICD will re-execute the relevant Supplemental Lease Agreement in the manner described in the relevant additional assets notice delivered in accordance with the Substitution and Purchase of Additional Assets Undertaking.

Face Amount of Trust  
Certificate:

The Trust Certificates will be issued in such face amounts as may be agreed between the Issuer, ICD and the relevant Dealer save that the minimum face

amount of each Trust Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions*" above, and save that (i) the minimum face amount of each Trust Certificate listed on the DFSA Official List will be U.S.\$100,000 (or, if the Trust Certificates are issued in a currency other than United States dollars, the equivalent amount in such currency) and (ii) the minimum face amount of each Trust Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Trust Certificates are issued in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments by ICD under the Transaction Documents shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature. In the event that any such withholding or deduction is made, ICD will be required to pay additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.

All payments in respect of Trust Certificates by the Issuer shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Issuer will, save in the limited circumstances provided in Condition 11, be required to pay additional amounts so that the holders of the Trust Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.

See "*Taxation*" for a description of certain tax considerations applicable to the Trust Certificates.

Negative Pledge:

The Trust Certificates will have the benefit of a negative pledge granted by ICD, as described in Condition 5.2.

Issuer Covenants:

The Issuer has agreed to certain restrictive covenants as set out in Condition 5.

Cross Default:

The Trust Certificates will have the benefit of a cross default provision, as described in Condition 13.

Status of the Trust Certificates:

Each Trust Certificate will evidence an undivided ownership interest in the Trust Assets of the relevant Series, subject to the terms of the Trust Deed and the Conditions, and will be a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Trust Certificate of each Series will rank *pari passu*, without any preference or priority, with all other Trust Certificates of such Series.

The payment obligations of ICD under the Transaction Documents to which it is a party will constitute direct, unconditional, unsubordinated and (save as described in "*Negative Pledge*" above) unsecured monetary obligations of ICD and shall (save as aforesaid and for certain obligations required to be



preferred by law) rank *pari passu* with all other outstanding unsecured, unsubordinated monetary obligations of ICD, present and future.

Ratings:	Neither the Programme nor ICD are rated by any rating agency.
Certificateholder Meetings:	A summary of the provisions for convening meetings of Certificateholders of each Series to consider matters relating to their interests as such is set out in Condition 17.
Listing and Admission to Trading:	<p>This Base Prospectus, as approved and published by the Central Bank, in accordance with the requirements of the Prospective Directive, comprises a Base Prospectus for the purposes of the Prospectus Directive and the Prospectus (Directive 2003/71/EC) Regulations 2005, and for the purpose of giving information with regard to the issue of Trust Certificates issued under this Programme, during the period of 12 months after the date hereof. Application has been made to the Irish Stock Exchange for such Trust Certificates to be admitted to the Irish Official List and to trading on the Main Securities Market.</p> <p>Application has also been made to the DFSA for Trust Certificates issued under this Programme during the period of 12 months after the date hereof to be admitted to the DFSA Official List and to NASDAQ Dubai for such Trust Certificates to be admitted to trading on NASDAQ Dubai.</p> <p>Trust Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, ICD and the relevant Dealer in relation to the Tranche. Trust Certificates which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Trust Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Transaction Documents:	The Transaction Documents are the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking and the Substitution and Purchase of Additional Assets Undertaking.
Governing Law and Submission to Jurisdiction:	<p>The Master Purchase Agreement, each Supplemental Purchase Agreement, the Master Lease Agreement, each Supplemental Lease Agreement and each sale agreement to be entered into pursuant to the Purchase Undertaking, the Sale Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking, as applicable, will be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. The parties thereto have consented to arbitration in the DIFC under the LCIA Arbitration Rules. Any dispute may also be referred to the courts of Dubai (which shall have exclusive jurisdiction to settle any dispute arising from such documents).</p> <p>Each other Transaction Document, the Trust Certificates and any non-contractual disputes arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a</p>

party or the Trust Certificates, the parties have consented to arbitration in the DIFC under the LCIA Arbitration Rules. Any dispute may also be referred to the courts in England or the DIFC (which in each case shall have exclusive jurisdiction to settle any dispute arising from such documents).

Waiver of Immunity:

ICD has in the Transaction Documents to which it is a party irrevocably and unconditionally with respect to any dispute or proceedings (i) waived any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submitted to the jurisdiction of the Dubai courts (in the case of those Transaction Documents which are governed by the laws of Dubai) or of the English courts and the DIFC courts (in the case of those Transaction Documents which are governed by English law) and the courts of any other jurisdiction (in the case of all Transaction Documents to which it is a party) in relation to the recognition of any judgment or order of the English courts, the DIFC courts, the Dubai courts or the courts of any competent jurisdiction (as applicable) in relation to any dispute or proceedings and (iii) consented to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any proceedings or disputes. Notwithstanding the foregoing, ICD makes no representation as to whether Article 247 of UAE Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.

Clearing Systems:

Euroclear and/or Clearstream, Luxembourg or, in relation to any Tranche of Trust Certificates, any other clearing system.

Selling Restrictions:

There are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the Cayman Islands, the DIFC, Japan, Singapore, Hong Kong, Malaysia, the Kingdom of Saudi Arabia, the State of Qatar (excluding the Qatar Financial Centre), the United Arab Emirates (excluding the DIFC) and Malaysia and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates, see "*Subscription and Sale*".

United States Selling Restrictions:

Regulation S, Category 2.

## FORM OF THE TRUST CERTIFICATES

The Trust Certificates of each Tranche will be in registered form. Trust Certificates will be offered and sold outside the United States to persons who are not U.S. persons (as defined in Regulation S) in reliance on Regulation S of the Securities Act.

Each Tranche will initially be represented by a global trust certificate in registered form (a **Global Trust Certificate**). Each Global Trust Certificate will represent undivided ownership interests in the relevant Trust Assets. Global Trust Certificates will be deposited with a common depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in Global Trust Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of each Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register (as defined in Condition 1.2) as the registered holder of the relevant Global Trust Certificate. None of the Issuer, the Trustee, ICD, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Trust Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Trust Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date (as defined in Condition 8.1) in the manner provided in the Conditions.

Payments of the applicable Dissolution Amount, Periodic Distribution Amounts or any other amount in respect of the Global Trust Certificate will be made to the persons shown on the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the **Record Date**) where **Clearing System Business Day** means a day on which each clearing system for which the Global Trust Certificate is being held is open for business.

Interests in a Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Certificateholders in accordance with Condition 16 if an Exchange Event occurs. For these purposes, **Exchange Event** means that (i) a Dissolution Event (as defined in Condition 13) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Delegate may also give notice to the Registrar requesting exchange.

In such circumstances, the relevant Global Trust Certificate shall be exchanged in full for Definitive Trust Certificates (as defined in the Master Trust Deed) and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Trust Certificates to be executed and delivered to the Registrar within 15 days following the request for exchange for completion and dispatch to the relevant Certificateholders. A person having an interest in a Global Trust Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Trust Certificates.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Delegate and their respective agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment on such face amount of such Trust Certificates, for which purpose the registered holder of the relevant Global Trust Certificate shall be treated by the Issuer, the Trustee, the Delegate and their respective agents as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions **Certificateholder** and **holder of Trust Certificates** and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Trust Certificates*"), the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Trust Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Trust Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

The Issuer and ICD may agree with any Dealer and the Delegate that Trust Certificates may be issued in a form not contemplated by the Conditions herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Trust Certificates.

## FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche issued under the Programme.

[Date]

### ICD Sukuk Company Limited

Issue of [Aggregate Face Amount of Tranche] [Title of Trust Certificates]  
under the  
U.S.\$2,500,000,000  
Trust Certificate Issuance Programme

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 6 May 2014 [and the Supplement to the Base Prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Base Prospectus**). This document constitutes the Final Terms of the Trust Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive]<sup>1</sup> and must be read in conjunction with the Base Prospectus. Full information on the Issuer, ICD and the offer of the Trust Certificates is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and these Final Terms]<sup>2</sup> [is/are] available for viewing on the website of the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)) and during normal business hours at the registered office of the Issuer at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and at the registered office of ICD at Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, United Arab Emirates.

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[If the Trust Certificates have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |  |   |
|----|--|---|
| 1. | Issuer, Trustee, Purchaser and Lessor:   | ICD Sukuk Company Limited   |
| 2. | Seller, Lessee, Servicing Agent and Obligor:   | Investment Corporation of Dubai ( <b>ICD</b> )  |
| 3. | (a) Series Number:   | [ ]   |
|    | (b) Tranche Number:  | [ ]   |
|    | (c) Date on which the Trust Certificates will be consolidated and form a single Series | [The Trust Certificates will be consolidated and form a single Series with [ <i>identify earlier Tranche(s)</i> ] on the Issue Date] [Not Applicable] |
| 4. | Specified Currency:  | [ ]   |

<sup>1</sup> To be included only if the Trust Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of the Irish Stock Exchange or other regulated market for the purposes of the Prospectus Directive.

<sup>2</sup> To be included only if the Trust Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of the Irish Stock Exchange or other regulated market for the purposes of the Prospectus Directive.

5. Aggregate Face Amount of:
- (a) Series: [ ]
- (b) Tranche: [ ]
6. Issue Price: [100] per cent. of the Aggregate Face Amount [plus accrued Periodic Distribution Amounts from *[insert date]* (if applicable)]
7. (a) Specified Denominations: [ ]  
*(this means the minimum integral face amount in which transfers can be made)*  
*(N.B. If an issue of Trust Certificates is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive (Directive 2003/71/EC), the €100,000 minimum denomination is not required.)*  
*(N.B. If an issue of Trust Certificates is NOT listed on NASDAQ Dubai, the U.S.\$100,000 minimum denomination is not required.)*
- (b) Calculation Amount: *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
8. (a) Issue Date: [ ]
- (b) Return Accrual Commencement Date: [ ]/[Issue Date][Not Applicable]
9. Maturity Date: *[Specify date or (for Floating Periodic Distribution Trust Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year.]*
10. Periodic Distribution Amount Basis: [[ ] per cent. Fixed Periodic Distribution Amount] *[[specify reference rate] +/- [ ] per cent. per annum Floating Periodic Distribution Amount]* *(further particulars specified below)*
11. Dissolution Basis: Subject to any purchase and cancellation or early redemption, the Trust Certificates will be redeemed at [100] per cent. of their aggregate face amount
12. Put/Call Options: [Not Applicable]  
 [Certificateholder Put Right]  
 [Change of Control Put Right]  
 [Optional Dissolution (Call)]  
*[further particulars specified below]*

13. (a) Status: Unsubordinated
- (b) [Date [Board] approval for issuance of Trust Certificates [and entry into the related Transaction Documents] obtained: [ ] [and [ ], respectively]]  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Trust Certificates or related Transaction Documents)*

#### PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

14. Fixed Periodic Distribution Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Rate(s): [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (b) Periodic Distribution Date(s): [[ ] in each year up to and including the Maturity Date]  
*(NB: This will need to be amended in the case of long or short return accumulation periods)*
- (c) Fixed Amount(s): [ ] per Calculation Amount
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [ ]][Not Applicable]  
*(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s) specified under paragraph 14(c))*
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year] [Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular Periodic Distribution Dates, ignoring issue date or maturity date in the case of Periodic Distribution Dates which are not in respect of periods of equal duration)*
15. Floating Periodic Distribution Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Specified Period(s)/Specified Periodic Distribution Dates: [ ] [,[ in each case] subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]  
*(Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable")*

- (b) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] [Not Applicable]
- (c) Additional Business Centre(s): [Not Applicable/give details]
- (d) Manner in which the Rate(s) is/are to be determined: Screen Rate Determination (Condition 7.3 applies)
- (i) Reference Rate: [ ] month [LIBOR/EURIBOR/EIBOR]
- (ii) Periodic Distribution Determination Date: [ ]
- (Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling or euro LIBOR), first day of each Return Accumulation Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR and second Dubai business day prior to the start of each Return Accumulation Period if EIBOR)*
- (iii) Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall-back provisions appropriately or, in the case of EIBOR, if not Reuters AEIBOR, ensure it is a page which shows a composite rate.)*
- (e) Linear Interpolation: [Not Applicable/Applicable – the Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation (*specify for each short or long return accumulation period*)]
- (f) Margin: [+/-] [ ] per cent. per annum
- (g) Minimum Profit Rate: [[ ] per cent. per annum][Not Applicable]
- (h) Maximum Profit Rate: [[ ] per cent. per annum][Not Applicable]
- (i) Day Count Fraction: [[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA)]
- (j) Calculation Agent: [Principal Paying Agent]/[ ]



## PROVISIONS RELATING TO DISSOLUTION

16. Optional Dissolution (Call): [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (a) Optional Dissolution Amount: [Final Dissolution Amount] [[ ] per Calculation Amount]
- (b) Optional Dissolution Date: [Any Periodic Distribution Date]/[ ]
- (c) If dissolution in part:
- (i) Minimum Optional [ ]  
Dissolution Amount:
- (ii) Maximum Optional [ ]  
Dissolution Amount:
- (d) Notice periods: Minimum period: [15] days  
Maximum period: [30] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or ICD and the Principal Paying Agent or the Delegate)*
17. Certificateholder Put Right: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Certificateholder Put Right Date(s): [ ]
- (b) Optional Dissolution Amount: [ ] per Calculation Amount
- (c) Notice periods: Minimum period: [15] days  
Maximum period: [30] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or ICD and the Principal Paying Agent or Delegate)*
18. Change of Control Put Right: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Change of Control Dissolution Amount: [ ] per Calculation Amount
- (b) Notice Periods: Minimum period: [ ] days  
Maximum period: [ ] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or ICD and the Principal Paying Agent or Delegate)*

19. Dissolution following a Tax Event:

- (a) Notice periods: Minimum period: [30] days  
Maximum period: [60] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and/or ICD and the Principal Paying Agent or Delegate)*

- (b) Tax Dissolution Amount [ ] per Calculation Amount

20. Final Dissolution Amount: [ ] per Calculation Amount]

21. Dissolution Amount pursuant to Condition 13: [ ] per Calculation Amount]

**GENERAL PROVISIONS APPLICABLE TO THE TRUST CERTIFICATES**

22. Form of Trust Certificates: Global Trust Certificate exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Global Trust Certificate
23. Additional Financial Centre(s): [Not Applicable/give details]  
  
*(Note that this paragraph relates to the date of payment and not Return Accumulation Period end dates, to which sub-paragraph 16(c) relates)*

**PROVISIONS IN RESPECT OF THE TRUST ASSETS**

24. Lease Assets on the Issue Date: As scheduled to the Supplemental Lease Agreement specified below
25. Trust Assets: Condition 4.1 applies

26. Details of Transaction Account: ICD Sukuk Company Limited Transaction Account No: [ ] with [ ] for Series No.: [1/2/3 etc.]
27. Other Transaction Document Information:
- (a) Supplemental Trust Deed: Supplemental Trust Deed dated [ ] between the Issuer, the Trustee, ICD and the Delegate
  - (b) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [ ] between the Purchaser[, [*insert name of seller entity if not ICD*]] and ICD
  - (c) Supplemental Lease Agreement: Supplemental Lease Agreement dated [ ] between the Lessor, the Lessee and the Delegate
  - (d) Declaration of Commingling of Assets: [Declaration of Commingling of Assets dated [ ] executed by the Trustee] [Not Applicable]  
(*N.B. This will only be executed upon the issuance of additional Trust Certificates pursuant to Condition 19*)

**SIGNED** on behalf of

**ICD SUKUK COMPANY LIMITED**

By: .....

*Duly authorised*

**SIGNED** on behalf of

**INVESTMENT CORPORATION OF DUBAI**

By: .....

*Duly authorised*

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (a) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Trust Certificates to be admitted to trading on [specify relevant regulated market (*for example, the Irish Stock Exchange's Main Securities Market or NASDAQ Dubai*) and, if relevant, listing on an official list (*for example, the Official List of the Irish Stock Exchange or the Official List maintained by the Dubai Financial Services Authority*)] with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Trust Certificates to be admitted to trading on [specify relevant regulated market (*for example, the Irish Stock Exchange's Main Securities Market or NASDAQ Dubai*) and, if relevant, listing on an official list (*for example, the Official List of the Irish Stock Exchange or the Official List maintained by the Dubai Financial Services Authority*)] with effect from [ ].]

*(where documenting a fungible issue indicate that original Trust Certificates are already admitted to trading)*

- (b) Estimate of total expenses related to [ ] admission to trading:

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer and ICD are aware, no person involved in the issue of the Trust Certificates has an interest material to the offer. The [Manager/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer or ICD or their affiliates in the ordinary course of business for which they may receive fees – *Amend as appropriate if there are other interests.*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### 3. [PROFIT OR RETURN (*Fixed Periodic Distribution Trust Certificates only*)

Indication of profit or return:

[ ]

The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]

**4. HISTORIC RATES** (*Floating Rate Distribution Trust Certificates only*)

Details of historic [LIBOR/EURIBOR/EIBOR] rates can be obtained from [Reuters].

**5. OPERATIONAL INFORMATION**

- (a) ISIN Code: [ ]
- (b) Common Code: [ ]
- (c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (d) Delivery: Delivery [against/free of] payment
- (e) Names and addresses of additional Paying Agent(s) (if any): [ ]

**6. DISTRIBUTION**

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (d) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (e) U.S. Selling Restrictions: Regulation S, Category 2

## TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

*The following is the text of the Terms and Conditions of the Trust Certificates which (subject to modification and except for the text in italics) will be endorsed on each Trust Certificate in definitive form issued under the Programme and will apply to each Global Trust Certificate.*

ICD Sukuk Company Limited (in its capacity as issuer, the **Issuer** and, in its capacity as trustee, the **Trustee**) has established a programme (the **Programme**) for the issuance of up to U.S.\$2,500,000,000 in aggregate face amount of trust certificates. In these terms and conditions (the **Conditions**), references to **Trust Certificates** shall be references to the trust certificates of this Series (as defined below) and references to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Trust Certificate.

As used herein, **Tranche** means Trust Certificates which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Trust Certificates together with any further Tranche or Tranches of Trust Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined below) thereon and the date from which Periodic Distribution Amounts start to accrue.

Each of the Trust Certificates will represent an undivided ownership interest in the Trust Assets (as defined in Condition 4.1) which are held by the Trustee on trust (the **Trust**) for, *inter alia*, the benefit of the registered holders of the Trust Certificates pursuant to (i) a Master Trust Deed (the **Master Trust Deed**) dated 6 May 2014 and made between the Issuer, the Trustee, Investment Corporation of Dubai (acting in any capacity, **ICD**) and Citicorp Trustee Company Limited (the **Delegate**) and (ii) a supplemental trust deed (the **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**) having the details set out in the applicable Final Terms.

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated on or about 6 May 2014 (the **Agency Agreement**) made between the Issuer, the Trustee, the Delegate, ICD, Citibank, N.A., London Branch in its capacities as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor and, together with any other paying agents appointed, the **Paying Agents**, which expression shall include any successors) and calculation agent (in such capacity, the **Calculation Agent**, which expression shall include any successor) and Citigroup Global Markets Deutschland AG in its capacities as registrar (in such capacity, the **Registrar**, which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the **Transfer Agents**, which expression shall include any successors). The Paying Agents, the Calculation Agent, the Transfer Agents and the Registrar are together referred to in these Conditions as the **Agents**.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions:

- (a) any reference to face amount shall be deemed to include the relevant Dissolution Amount (as defined in Condition 8.1), any additional amounts (other than relating to Periodic Distribution Amounts (as defined in Condition 6.2)) which may be payable under Condition 11, and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 and any other amount in the nature of a profit distribution payable pursuant to these Conditions;

- (c) references to Trust Certificates being "outstanding" shall be construed in accordance with the Master Trust Deed; and
- (d) any reference to a Transaction Document (as defined below) shall be construed as a reference to that Transaction Document as amended and/or supplemented from time to time.

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge by the Certificateholders during normal business hours at the specified office for the time being of the Principal Paying Agent. The holders of the Trust Certificates are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

- (a) a master purchase agreement between the Trustee (in its capacity as trustee and as purchaser) and Investment Corporation of Dubai (in its capacity as seller, the **Seller**) dated 6 May 2014 (the **Master Purchase Agreement**);
- (b) the supplemental purchase agreement (the **Supplemental Purchase Agreement** and, together with the Master Purchase Agreement, the **Purchase Agreement**) having the details set out in the applicable Final Terms;
- (c) a master lease agreement between the Trustee (in its capacity as trustee and as lessor, the **Lessor**), Investment Corporation of Dubai (in such capacity, the **Lessee**) and the Delegate dated 6 May 2014 (the **Master Lease Agreement**);
- (d) the supplemental lease agreement (the **Supplemental Lease Agreement** and, together with the Master Lease Agreement, the **Lease Agreement**, which expression includes any replacement Supplemental Lease Agreement entered into pursuant to the Purchase Undertaking, the Sale Undertaking and/or the Substitution and Purchase of Additional Assets Undertaking (each as defined below), as the case may be) having the details set out in the applicable Final Terms;
- (e) a purchase undertaking entered into by ICD (in its capacity as obligor) as a deed dated 6 May 2014 (the **Purchase Undertaking**) and containing the form of sale agreement to be executed by ICD and the Trustee on the Maturity Date or, as the case may be, the relevant Dissolution Date (as defined in Condition 10.9);
- (f) a sale undertaking entered into by ICD Sukuk Company Limited (in its capacity as issuer and as trustee) as a deed dated 6 May 2014 (the **Sale Undertaking**) containing the form of sale agreement to be executed by ICD and ICD Sukuk Company Limited on the relevant Dissolution Date or (as applicable) Cancellation Date (as defined in Condition 10.7);
- (g) a substitution and purchase of additional assets undertaking entered into by ICD Sukuk Company Limited (in its capacity as issuer and as trustee) as a deed dated 6 May 2014 (the **Substitution and Purchase of Additional Assets Undertaking**) containing the form of sale agreement to be executed by ICD, ICD Sukuk Company Limited and (where applicable) the relevant seller entity specified therein on the exercise by ICD of its rights under the Substitution and Purchase of Additional Assets Undertaking;
- (h) a servicing agency agreement between the Lessor and ICD (in its capacity as servicing agent, the **Servicing Agent**) dated 6 May 2014 (the **Servicing Agency Agreement**);
- (i) the Trust Deed;
- (j) the Agency Agreement; and
- (k) the applicable Final Terms.

The documents listed in paragraphs (a) to (j) above are referred to in these Conditions as the **Transaction Documents**. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Issuer (acting as trustee, on behalf of the Certificateholders) (i) to apply the sums paid by it in respect of its Trust Certificates in making payment (x) (in the case of the first Tranche of each Series) to the Seller (or, as applicable, the relevant seller entity) as the purchase price for the Lease Assets or, as the case may be, (y) (in the case each subsequent Tranche of such Series issued in accordance with Condition 19) to ICD or (as applicable) the relevant seller entity pursuant to the applicable sale agreement entered into pursuant to the Substitution and Purchase of Additional Assets Undertaking and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and Denomination**

The Trust Certificates are issued in registered form in the Specified Denominations and, in the case of Trust Certificates in definitive form, are serially numbered.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Delegate, ICD and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Issuer, the Trustee, the Delegate, ICD and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions **Certificateholder** and **holder** in relation to any Trust Certificates and related expressions shall be construed accordingly.

Trust Certificates which are represented by a Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, ICD, the Principal Paying Agent and the Delegate.

### **1.2 Register**

The Registrar will maintain a register (the **Register**) of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.



### **1.3 Title**

The Issuer, the Trustee, the Delegate, ICD and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Issuer, the Trustee, the Delegate, ICD and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

## **2. TRANSFERS OF TRUST CERTIFICATES**

### **2.1 Transfers of beneficial interests in the Global Trust Certificate**

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### **2.2 Transfers of Trust Certificates in definitive form**

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Trust Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the holder or holders must (i) surrender the definitive Trust Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent. Any such transfer will be subject to such reasonable regulations as the Issuer, ICD, the Delegate and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Master Trust Deed).

Subject as provided above, the relevant Transfer Agent will, as soon as reasonably practicable, and in any event within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Trust Certificate in definitive form from the Issuer, deliver at its specified office to the transferee or (at the risk of the transferee) send by regular uninsured mail to such address as the transferee may request a new Trust Certificate in definitive form of a like aggregate face amount to the Trust Certificate (or the relevant part of the Trust Certificate) transferred. In the case of the transfer of part only of a Trust Certificate in definitive form, a new Trust Certificate in definitive form in respect of the balance of the Trust Certificate not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

No Certificateholder may require the transfer of a Trust Certificate in definitive form to be registered during the period of 15 days ending on a Periodic Distribution Date, the Maturity Date, a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

### **2.3 Costs of registration**

Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## **3. STATUS AND LIMITED RECOURSE**

### **3.1 Status**

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Trust Deed and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Trust Certificate ranks *pari passu*, without any preference or priority, with all other Trust Certificates.

### **3.2 Limited Recourse**

The proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. The Trust Certificates do not represent an interest in any of the Issuer, the Trustee, ICD, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders will have no recourse to any assets of the Issuer, the Trustee (other than the Trust Assets), ICD (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

ICD is obliged to make certain payments under the Transaction Documents directly to the Trustee and the Trustee and/or the Delegate (acting on behalf of the Certificateholders) will have direct recourse against ICD to recover such payments.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 14, no holder of Trust Certificates will have any claim against the Issuer, the Trustee (to the extent the Trust Assets have been exhausted), ICD (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, neither the Delegate nor any Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer or the Trustee as a consequence of such shortfall or otherwise.

### **3.3 Agreement of Certificateholders**

By purchasing the Trust Certificates, each Certificateholder agrees that notwithstanding anything to the contrary contained herein or in any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Issuer or the Trustee or any of its directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount due and owing hereunder or under any other Transaction Document, whether

for the payment of any fee, indemnity or other amount hereunder or thereunder or any other obligation or claim arising out of or based upon, these Conditions or any other Transaction Document, against the Issuer or the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Issuer and the Trustee shall be extinguished;

- (b) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Issuer or the Trustee or any of its directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Issuer or the Trustee arising under or in connection with these Conditions or any other Transaction Document by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Issuer or the Trustee in their capacity as such. The obligations of the Issuer and the Trustee under these Conditions and each other Transaction Document to which it is a party are corporate or limited liability obligations of the Issuer and the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Issuer or the Trustee (in their capacity as such), save in the case of their wilful default or actual fraud. Reference in this Condition to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party.

#### 4. THE TRUST

##### 4.1 The Trust Assets

Pursuant to the Trust Deed, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Trust Certificates *pro rata* according to the face amount of Trust Certificates held by each holder. The term **Trust Assets** means:

- (a) the cash proceeds of the issue of Trust Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interests, benefits and entitlement, present and future, in, to and under the relevant Lease Assets (as defined in the Lease Agreement);
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given to the Trustee or the Issuer by ICD pursuant to any of the Transaction Documents and any rights which have been waived by the Trustee in any of the Transaction Documents);
- (d) all monies standing to the credit of the Transaction Account specified in the applicable Final Terms (the **Transaction Account**) from time to time,

and all proceeds of the foregoing.

## 4.2 Application of Proceeds from the Trust Assets

On each Periodic Distribution Date and on the Maturity Date or any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to the Delegate and/or any Appointee (as defined in the Master Trust Deed) in respect of all amounts owing to it under the Transaction Documents;
- (b) *second*, in or towards reimbursement *pari passu* and rateably of any amounts paid by any Indemnifying Parties (as defined in the Master Trust Deed), together with profit payable thereon as provided in the Master Trust Deed;
- (c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (d) *fourth*, only if such payment is due on the Maturity Date or a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Amount; and
- (e) *fifth*, only on the Maturity Date or any Dissolution Date and provided that all amounts required to be paid on the Trust Certificates have been discharged in full, in payment of any residual amount, to ICD.

## 5. COVENANTS

### 5.1 Issuer Covenants

The Issuer covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of borrowed money whatsoever (whether structured in accordance with the principles of the *Sharia* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
- (e) except as provided in Condition 17, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association;

- (f) act as trustee in respect of any trust other than a trust corresponding to any other Series issued under the Programme;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) as provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

## 5.2 ICD Negative Pledge

ICD undertakes that for so long as any of the Trust Certificates remains outstanding (as defined in the Master Trust Deed), it will not: (i) create or permit to subsist any mortgage, charge, lien, pledge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction) (each, a **Security Interest**), other than a Permitted Security Interest (as defined below), upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing its obligations under the Transaction Documents to which it is a party (in whatever capacity) equally and rateably with the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other Security Interest as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Certificateholders.

For the purposes of these Conditions:

**Non-recourse Project Financing** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that:

- (a) any Security Interest given by ICD in connection therewith is limited solely to the assets of the project;
- (b) the persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the sole source of repayment for the moneys advanced; and
- (c) there is no other recourse to ICD in respect of any default by any person under the financing;

**Permitted Security Interest** means:

- (a) any Security Interest created or outstanding with the approval of an Extraordinary Resolution of the Certificateholders;

- (b) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Trust Certificates;
- (c) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;
- (d) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, or acquired by, ICD, provided that such Security Interest was not created in contemplation of such merger, consolidation or acquisition and does not extend to any other assets or property of ICD;
- (e) any Security Interest existing on any property or assets prior to the acquisition thereof by ICD and not created in contemplation of such acquisition;
- (f) any Security Interest created by, or outstanding in respect of, ICD, provided that the amount of any Relevant Indebtedness secured by such Security Interest (when aggregated with the amount (if any) of Relevant Indebtedness secured by other Security Interests created by, or outstanding in respect of, ICD (but ignoring for these purposes any Relevant Indebtedness secured by any Security Interest under sub-paragraphs (a) to (e) above (inclusive) and paragraph (g) below)) does not exceed 10 per cent. of the consolidated total assets of ICD and its consolidated subsidiaries, as shown in the most recent prepared audited consolidated financial statements of ICD and its consolidated subsidiaries; or
- (g) any renewal of or substitution for any Security Interest permitted by any of sub-paragraphs (a) to (f) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

**Relevant Indebtedness** means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock, Sukuk Obligations in respect of certificates or other securities, in each case which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

**Securitisation** means any securitisation of existing or future assets and/or revenues, provided that:

- (a) any Security Interest given by ICD in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;
- (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of repayment for the money advanced or payment of any other liability; and
- (c) there is no other recourse to ICD in respect of any default by any person under the securitisation; and

**Sukuk Obligation** means any undertaking or other obligation to pay money given in connection with the issue of certificates or other securities whether or not in return for consideration of any kind.

## 6. FIXED PERIODIC DISTRIBUTION PROVISIONS

### 6.1 Application

This Condition is applicable to the Trust Certificates only if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

## 6.2 Periodic Distribution Amount

Subject to Condition 4.2 and Condition 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Trust Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount payable in arrear in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

In these Conditions:

**Periodic Distribution Amount** means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit distribution payable in respect of that Trust Certificate for that Return Accumulation Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with this Condition 6 or Condition 7; and

**Return Accumulation Period** means the period from (and including) a Periodic Distribution Date (or the Return Accrual Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date.

## 6.3 Determination of Periodic Distribution Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Trust Certificate in definitive form for any Return Accumulation Period shall be the Fixed Amount or, if so specified in the applicable Final Terms, the Broken Amount so specified.

Except in the case of Trust Certificates in definitive form where a Fixed Amount or Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Trust Certificate shall be calculated by applying the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms (the **Rate**) applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or
- (b) in the case of Trust Certificates in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Trust Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of Periodic Distribution Amount in accordance with this Condition:

- (a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (i) in the case of Trust Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (the

**Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (ii) in the case of Trust Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

#### **6.4 Cessation of Profit Entitlement**

No further amounts will be payable on any Trust Certificate from and including the Maturity Date or, as the case may be, the relevant Dissolution Date, unless (i) ICD has not complied with its obligations under, or in respect of (as applicable) the Purchase Undertaking or the Sale Undertaking (as applicable), to enter into a sale agreement and pay in full the relevant exercise price in accordance with the terms thereof and/or (ii) default is made in the payment of the relevant Dissolution Amount, in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition.

### **7. FLOATING PERIODIC DISTRIBUTION PROVISIONS**

#### **7.1 Application**

This Condition is applicable to the Trust Certificates only if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.



## 7.2 Periodic Distribution Amount

Subject to Condition 4.2 and 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Trust Certificates in arrear on either:

- (a) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or
- (b) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a **Periodic Distribution Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Return Accrual Commencement Date.

In relation to each Periodic Distribution Date, the distribution payable will be equal to the Periodic Distribution Amount payable in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 7.2(b) above, the Floating Rate Convention, such Periodic Distribution Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or
- (b) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

**Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and any Additional Business Centre specified in the applicable Final Terms; and

- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the relevant place of presentation and any Additional Business Centre) or (ii) in relation to any sum payable in euro, a TARGET Settlement Day; and

**TARGET Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

### 7.3 Screen Rate Determination

- (a) If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms (being any of LIBOR, EURIBOR or EIBOR) or calculated or determined in accordance with the provisions of these Conditions (the **Rate**) is to be determined, the Rate applicable to the Trust Certificates for each Return Accumulation Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, Brussels time, in the case of EURIBOR or Dubai time, in the case of EIBOR) (the **Relevant Time**) on the Periodic Distribution Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

- (b) If the Relevant Screen Page is not available or if, in the case of Condition 7.3(a)(i), no offered quotation appears or, in the case of Condition 7.3(a)(ii), fewer than three offered quotations appear, in each case as at the Relevant Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate for such Return Accumulation Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.
- (c) If on any Periodic Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate for such Return Accumulation Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Periodic Distribution Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Emirates inter-bank market (if the Reference Rate is EIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks

provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Periodic Distribution Determination Date, any one or more banks (which bank or banks is or are in the opinion of ICD suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR), the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Emirates inter-bank market (if the Reference Rate is EIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate for such Return Accumulation Period cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate for such Return Accumulation Period shall be determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin is to be applied to the relevant Return Accumulation Period from that which applied to the last preceding Return Accumulation Period, the Margin relating to the relevant Return Accumulation Period in place of the Margin relating to that last preceding Return Accumulation Period).

In this Condition the following expressions have the following meanings:

**Reference Banks** means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EIBOR, the principal United Arab Emirates office of four major banks in the Emirates inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent and approved in writing by the Delegate; and

**Relevant Screen Page** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

#### **7.4 Cessation of Profit Entitlement**

No further amounts will be payable on any Trust Certificate from and including the Maturity Date or, as the case may be, the relevant Dissolution Date, unless (i) ICD has not complied with its obligations under, or in respect of (as applicable) the Purchase Undertaking or the Sale Undertaking (as applicable), to enter into a sale agreement and pay in full the relevant exercise price in accordance with the terms thereof and/or (ii) default is made in the payment of the relevant Dissolution Amount, in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition.

#### **7.5 Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Trust Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate (subject to any Maximum Profit Rate or Minimum Profit Rate as specified in the applicable Final Terms) applicable to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or

(b) in the case of Trust Certificates in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Trust Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition:

- (a) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365;
- (c) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if "30/360" "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCount Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

- (f) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCount Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30;

- (g) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCount Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Return Accumulation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case  $D_2$  will be 30.

## **7.6 Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Final Terms, the Rate for such Return Accumulation Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Return Accumulation Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Return Accumulation Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means the period of time designated in the Reference Rate.

## **7.7 Publication**

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, ICD, the Delegate, the Paying Agents and any stock exchange on which the relevant Trust Certificates in respect of which Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable are for the time being listed and notice thereof to be published in accordance with Condition 16 as soon as possible after their determination but in any event not later than the fourth London Business Day thereafter. Each Periodic Distribution Amount and Periodic Distribution Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Return Accumulation Period. Any such amendment will be promptly notified to each stock exchange on which such Trust Certificates are for the time being listed and to the Certificateholders in accordance with Condition 16. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

## **7.8 Determination by the Delegate**

The Delegate shall, if the Calculation Agent defaults at any time in its obligation to determine any Rate, Periodic Distribution Amount and/or Periodic Distribution Date in accordance with the above provisions or otherwise as specified in the applicable Final Terms, determine in accordance with Condition 7.5 above the relevant Rate, Periodic Distribution Amount and/or Periodic Distribution Date, the former at such rate as, in its discretion (having such regard as it shall think fit to the procedure described above but subject always to any Minimum Profit Rate or Maximum Profit Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances (having such regard as it thinks fit to Condition 7.3 above) and the Periodic Distribution Amount and the Periodic Distribution Date in the manner provided in this Condition and the determinations shall be deemed to be determinations by the Calculation Agent.

## **7.9 Notifications, etc. to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition, whether by the Calculation Agent or, in accordance with Condition 7.8 above, the Delegate will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Delegate, ICD, the

Agents and all Certificateholders and (in the absence of wilful default or bad faith) no liability shall attach to the Calculation Agent or the Delegate in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

## 8. PAYMENT

### 8.1 Payments in respect of the Trust Certificates

Subject to Condition 8.2, payment of the Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Trust Certificate at the specified office of any of the Paying Agents. Each Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition:

- (a) **Dissolution Amount** means, as appropriate, the Final Dissolution Amount, the Tax Dissolution Amount, the Optional Dissolution Amount, the Change of Control Dissolution Amount, the Dissolution Amount specified in the applicable Final Terms for the purposes of Condition 13, the amount payable pursuant to the Transaction Documents following the occurrence of a Total Loss Event, or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;
- (b) **Payment Business Day** means:
  - (i) in the case where presentation and surrender of a definitive Trust Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the definitive Trust Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account:
    - (A) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
    - (B) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;
- (c) a Certificateholder's **registered account** means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;
- (d) a Certificateholder's **registered address** means its address appearing on the Register at that time; and
- (e) **Record Date** means (i) (where the Trust Certificate is represented by a Global Trust Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date, Maturity Date or the relevant Dissolution Date, as the case may be; or (ii) (where the Trust Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the 15th day before the relevant Periodic Distribution Date and, in the case

of the payment of a Dissolution Amount, the date falling two Payment Business Days before the Maturity Date or the relevant Dissolution Date, as the case may be.

## **8.2 Payments subject to Applicable Laws**

Payments in respect of Trust Certificates are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto.

## **8.3 Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Payment Business Day on which the relevant definitive Trust Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its definitive Trust Certificate (if required to do so).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

## **9. AGENTS**

### **9.1 Agents of Issuer**

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **9.2 Specified Offices**

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided, however, that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) if a Calculation Agent (other than the Principal Paying Agent) has been appointed in the applicable Final Terms, there will at all times be a Calculation Agent;
- (c) so long as any Trust Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and



- (d) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any variation, termination, appointment or change will be given to the Certificateholders promptly by the Issuer in accordance with Condition 16 and will take effect on such date as complies with the provisions of the Agency Agreement.

## 10. CAPITAL DISTRIBUTIONS OF THE TRUST

### 10.1 Scheduled Dissolution

Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Issuer will redeem each Trust Certificate on the Maturity Date at the Final Dissolution Amount together with any Periodic Distribution Amount payable. Upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

### 10.2 Early Dissolution for Tax Reasons

Upon the occurrence of a Tax Event (as defined below), ICD may in its sole discretion deliver to the Trustee a duly completed Exercise Notice (as defined in the Sale Undertaking) in accordance with the provisions of the Sale Undertaking and, upon receipt of such notice, the Issuer shall, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Certificateholders in accordance with Condition 16; and
- (b) not less than the minimum period of days before the giving of the notice referred to in (a) above, to the Delegate, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption, being the **Tax Dissolution Date**) redeem the Trust Certificates in whole, but not in part (x) at any time (if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable) or (y) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable) at the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts.

For the purposes of these Conditions, **Tax Event** means:

- (i) (A) on the occasion of the next payment due under the Trust Certificates the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands (or any political subdivision or authority thereof or therein having the power to tax) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) (A) the receipt by the Trustee of notice from ICD that ICD (acting in its capacity as Lessee) has or will become obliged to pay additional amounts pursuant to the terms of the relevant Lease Agreement to the extent they are required to be paid pursuant to the federal laws or regulations of the UAE then in force as a result of any change in, or amendment to, the federal laws or regulations of the UAE (or any political subdivision or authority thereof or therein having the

power to tax) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issuance of the first Tranche of the relevant Series of Trust Certificates and (B) such obligation cannot be avoided by ICD taking reasonable measures available to it,

*provided, that* no such notice of redemption shall be given (x) unless an Exercise Notice has been received by the Trustee from ICD under the Sale Undertaking as aforesaid and (y) earlier than 90 days prior to the earliest date on which (in the case of (i) above) the Issuer would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due or (in the case of (ii) above) ICD would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Lease Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Issuer shall deliver to the Delegate to make available at its specified office to the Certificateholders (1) a certificate signed by two Authorised Signatories (in the case of (i) above) or two Authorised Signatories of ICD (in the case of (ii) above) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent in (i) or (ii) above to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, ICD has or will become obliged to pay such additional amounts as a result of such change or amendment and the Delegate shall be entitled to accept the certificate as sufficient evidence of the conditions precedent set out above, in which event it shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 10.2, the Issuer shall be bound to redeem the Trust Certificates at the Tax Dissolution Amount together with any accrued but unpaid Periodic Distribution Amounts and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

### **10.3 Dissolution at the Option of the Issuer**

If Optional Dissolution (Call) is specified in the applicable Final Terms as being applicable, ICD may in its sole discretion deliver to the Trustee a duly completed Exercise Notice (as defined in the Sale Undertaking) in accordance with the provisions of the Sale Undertaking and, upon receipt of such notice, the Issuer shall, having given:

- (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Certificateholders in accordance with Condition 16; and
- (b) not less than the minimum period of days before the giving of the notice referred to in (a) above, to the Delegate, the Principal Paying Agent and the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Trust Certificates then outstanding on any Optional Dissolution Date and at the Optional Dissolution Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together with all unpaid Periodic Distribution Amounts accrued to (but excluding) the relevant Optional Dissolution Date, *provided that* no such notice of redemption shall be given unless an Exercise Notice has been received by the Trustee under the Sale Undertaking as aforesaid. Any such redemption must be of an aggregate face amount not less than the Minimum Optional Dissolution Amount and not more than the Maximum Optional Dissolution Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Trust Certificates, the Trust Certificates to be redeemed (**Redeemed Trust Certificates**) will (i) in the case of Redeemed Trust Certificates represented by definitive Trust Certificates, be selected individually by lot, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the

**Selection Date**) and (ii) in the case of Redeemed Trust Certificates represented by a Global Trust Certificate, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg. In the case of Redeemed Trust Certificates represented by definitive Trust Certificates, a list of the serial numbers of such Redeemed Trust Certificates will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption.

Upon such redemption, (provided that the Trust Certificates are redeemed in their entirety) the Trust will be dissolved, the Redeemed Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

#### **10.4 Dissolution following a Total Loss Event**

Upon the occurrence of a Total Loss Event the Trust Certificates may be redeemed and the Trust dissolved on the Total Loss Dissolution Date. The Trust Certificates will be redeemed using the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event. Upon such redemption, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

For the purposes of these Conditions:

**Total Loss Dissolution Date** means the date falling 31 days after the occurrence of a Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day; and

a **Total Loss Event** is the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

*Under the Servicing Agency Agreement, the Servicing Agent undertakes to be responsible for ensuring that the Lease Assets are properly insured (and to use reasonable endeavours to obtain such insurances on a takaful basis if available or available on commercially viable terms) against the occurrence of a Total Loss Event in an amount equal to its full reinstatement value (which value will be a sum not to be less than the aggregate outstanding face amount of the Trust Certificates, plus all other amounts then due and payable by the Issuer under the Trust Certificates). If the obligations of the Servicing Agent thereunder are not strictly complied with and as a result any insurance amounts paid into the Transaction Account are less than the full reinstatement value of the Lease Assets (the difference between the amount (if any) paid into the Transaction Account and such full reinstatement value being the **Total Loss Shortfall Amount**), the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) irrevocably and unconditionally indemnifies the Trustee for the Total Loss Shortfall Amount plus all other amounts then due and payable under the Transaction Documents, which will be payable directly into the Transaction Account on the 31st day following the occurrence of the Total Loss Event or, if such day is not a Payment Business Day, on the immediately following Payment Business Day. Upon the occurrence of a Total Loss Event, all of the Rental that has accrued pursuant to the relevant Lease Agreement shall be credited to the Transaction Account by the Lessee. The aggregate of such amounts and any insurance proceeds and/or Total Loss Shortfall Amount are intended to be equal to the aggregate face amount of the Trust Certificates together with all accrued and unpaid Periodic Distribution Amounts.*

## 10.5 Redemption at the option of the Certificateholders

- (a) If Certificateholder Put Right is specified in the applicable Final Terms as being applicable, upon the holder of any Trust Certificate giving to the Issuer in accordance with Condition 16 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, or, at the Issuer's option, purchase (or procure the purchase of) such Trust Certificate on the Certificateholder Put Right Date and at the Optional Dissolution Amount specified in, or determined in the manner specified in, the applicable Final Terms together with all unpaid Periodic Distribution Amounts accrued to (but excluding) the relevant Certificateholder Put Right Date. Trust Certificates may be redeemed or, as the case may be, purchased under this Condition 10.5(a) in any multiple of their lowest Specified Denomination.
- (b) If Change of Control Put Right is specified in the applicable Final Terms as being applicable and if a Change of Control Event (as defined below) occurs, the Issuer will, upon the holder of any Trust Certificate giving notice within the Change of Control Put Period (as defined below) to the Issuer in accordance with Condition 16 (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Condition 10.2 or Condition 10.3), redeem or, at the Issuer's option purchase (or procure the purchase of) such Trust Certificate on the Change of Control Put Date at the Change of Control Dissolution Amount together with all unpaid Periodic Distribution Amounts accrued to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer or ICD becoming aware that a Change of Control Event has occurred, the Issuer (failing which, ICD) shall promptly give notice (a **Change of Control Notice**) to the Certificateholders in accordance with Condition 16 to that effect.

- (c) To exercise the right to require redemption of any Trust Certificate pursuant to this Condition 10.5 the holder thereof must, if the Trust Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of such Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of the Registrar (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 10.5 and the aggregate face amount thereof to be redeemed and, if less than the full aggregate face amount of the Trust Certificates so surrendered is to be redeemed, an address to which a new Trust Certificate in definitive form in respect of the balance of such Trust Certificates is to be sent subject to and in accordance with the provisions of Condition 2.2.

If the relevant Trust Certificate is represented by a Global Trust Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and if the relevant Trust Certificate is represented by a Global Trust Certificate, at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 10.5 shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 13, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 10.5.

(d) For the purpose of these Conditions:

**Change of Control Dissolution Amount** shall mean, in relation to each Trust Certificate to be redeemed or purchased pursuant to Condition 10.5(b), an amount equal to the aggregate face amount of such Trust Certificate or such other amount as may be specified in the applicable Final Terms;

a **Change of Control Event** shall occur each time the government of the Emirate of Dubai (the **Government**) or any other department, agency, authority or entity wholly-owned by the Government:

- (i) sells, transfers or otherwise disposes of any of its ownership interest in ICD, other than to an entity directly or indirectly wholly-owned by the Government; or
- (ii) otherwise ceases to own (directly or indirectly) the entire ownership interest in ICD;

**Change of Control Put Date** shall be the tenth day after the expiry of the Change of Control Put Period provided that, if such day is not a day on which banks are open for general business in both London and the principal financial centre of the Specified Currency, the Change of Control Put Date shall be the next following day on which banks are open for general business in both London and the principal financial centre of the Specified Currency; and

**Change of Control Put Period** shall be the period of 30 days commencing on the date that a Change of Control Notice is given.

#### **10.6 No other Dissolution**

The Issuer shall not be entitled to redeem the Trust Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition and Condition 13.

#### **10.7 Purchases**

ICD or any of its Subsidiaries may at any time purchase Trust Certificates at any price in the open market or otherwise. Such Trust Certificates may be held, reissued, resold or, at the option of ICD, surrendered to the Registrar for cancellation. In the case of such cancellation, ICD shall deliver an Exercise Notice to the Trustee (in accordance with the terms of the Sale Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale Undertaking, be obliged to transfer all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets to ICD in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by ICD and the Trustee entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the entry into such sale agreement, the Issuer shall surrender to the Registrar the relevant Trust Certificates identified for cancellation in the Exercise Notice on the Cancellation Date.

For the purposes of these Conditions:

**Cancellation Date** means the date on which Trust Certificates are to be cancelled as specified in the Exercise Notice and which shall be a Periodic Distribution Date; and

**Cancelled Lease Assets** means the assets to be sold by the Trustee to ICD in accordance with the Sale Undertaking following the delivery of, and as specified in, the applicable Exercise Notice.

#### **10.8 Cancellations**

All Trust Certificates which are redeemed will forthwith be cancelled. All Trust Certificates so cancelled and any Trust Certificates purchased and cancelled pursuant to Condition 10.7 above shall be forwarded to the Registrar and cannot be reissued or resold.

## 10.9 Dissolution Date

In these Conditions, the expression **Dissolution Date** means, as the case may be:

- (a) following the occurrence of a Dissolution Event (as defined in Condition 13), the date on which the Trust Certificates are dissolved in accordance with the provisions of Condition 13;
- (b) the Optional Dissolution Date;
- (c) the Tax Dissolution Date;
- (d) the Certificateholder Put Right Date;
- (e) the Change of Control Put Date;
- (f) the Total Loss Dissolution Date; or
- (g) such other date as is specified in the applicable Final Terms for the redemption of Trust Certificates and dissolution of the Trust in whole or in part prior to the Maturity Date.

## 11. TAXATION

All payments in respect of the Trust Certificates will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Certificateholders after such withholding or deduction shall equal the amounts which would otherwise have been receivable in respect of the Trust Certificates in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Trust Certificate:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Trust Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Trust Certificate to another Paying Agent in a different Member State of the European Union.

As used in these Conditions:

**Relevant Date** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received and notice to that effect has been given to Certificateholders in accordance with Condition 16;

**Relevant Jurisdiction** means the Cayman Islands or the UAE or any Emirate therein or, in either case, any political subdivision or authority thereof or therein having the power to tax; and

**Taxes** means any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction.

*The Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking each provide that payments thereunder by the Lessee, the Servicing Agent and the Obligor, respectively, shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of whatever nature imposed, levied, collected, withheld or assessed, unless the withholding or deduction is required by law and, in such case, provide for the payment by the Lessee, the Servicing Agent and the Obligor, respectively, of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee. In addition, pursuant to the Purchase Undertaking ICD has irrevocably and unconditionally undertaken (irrespective of the payment of any fee), as a continuing obligation, that, if additional amounts are payable by the Issuer in respect of the Trust Certificates in accordance with Condition 11, it will pay to the Issuer (for the benefit of the Certificateholders) an amount equal to such additional amounts by payment to the Transaction Account in the Specified Currency by wire transfer for same day value so that the full amount which would otherwise have been due and payable under the Trust Certificates is received by the Issuer.*

## **12. PRESCRIPTION**

The right to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 8.

## **13. DISSOLUTION EVENTS**

### **13.1 Dissolution Events**

Upon the occurrence and continuation of any of the following events (**Dissolution Events**):

- (a) default is made in the payment of the Dissolution Amount or any Periodic Distribution Amount on the due date for payment thereof and such default continues for a period of 7 Business Days in the case of a Dissolution Amount, or 14 Business Days in the case of a Periodic Distribution Amount; or
- (b) the Issuer defaults in the performance or observance of or compliance with any of its other obligations or undertakings in the Trust Certificates or the Transaction Documents and such default is not capable of remedy or (if in the opinion of the Delegate capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Delegate; or
- (c) an ICD Event (as defined in Condition 13.2) occurs; or
- (d) distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or
- (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of

possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

- (f) the Issuer is (or is or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- (g) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or
- (h) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Trust Certificates and the Transaction Documents to which it is party; (b) to ensure that those obligations are legally binding and enforceable; and (c) to make the Trust Certificates and the Transaction Documents to which it is party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or
- (i) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Trust Certificates or the Transaction Documents to which it is party; or
- (j) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Delegate shall, promptly upon becoming aware thereof, give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 16 with a request to such holders to indicate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved provided, however, in the case of a Dissolution Event comprising an event described in paragraph (b) above or an event described in paragraph (b) of the definition of ICD Event, such notice may only be given if the Delegate shall have certified in writing to the Issuer and ICD that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders. If so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Trust Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Trust Certificates, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may give notice to the Issuer, ICD and all the holders of the Trust Certificates in accordance with Condition 16 that the Trust Certificates are to be redeemed at the Dissolution Amount on the date specified in such notice. Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Trust Certificates (including any amounts calculated as being payable under Condition 6, Condition 7 and Condition 10) notwithstanding that the Issuer has, at the relevant time, insufficient funds to pay such amounts.



## 13.2 ICD Events

For the purposes of this Condition, an **ICD Event** means any of the following events:

- (a) ICD (acting in any capacity) fails to pay an amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 Business Days, or ICD (acting in any capacity) fails to pay an amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 7 Business Days; or
- (b) if ICD (acting in any capacity) fails to perform or observe any of its other obligations in the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Delegate or the Trustee on ICD of notice requiring the same to be remedied; or
- (c) if (i) any Financial Indebtedness of ICD is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Financial Indebtedness becomes due and repayable prior to its stated maturity by reason of default (however described), or (iii) any Security Interest given by ICD for any Financial Indebtedness becomes enforceable and any step is taken to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar person, but excluding the issue of any notification to ICD that such Security Interest has become enforceable) unless the full amount of the Financial Indebtedness which is secured by the relevant Security Interest is discharged within 60 days of the later of the first date on which: (a) a step is taken to enforce the relevant Security Interest; and (b) ICD is notified that a step has been taken to enforce the relevant Security Interest, provided that no event described in this sub-paragraph (c) shall constitute a Dissolution Event unless the amount of all the relevant Financial Indebtedness described in (i), (ii) and/or (iii) of this paragraph (c), either alone or when aggregated with all other relevant Financial Indebtedness in respect of which one or more of the events described in (i), (ii) and/or (iii) of this paragraph (c) shall have occurred and is continuing, shall be more than U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) if one or more judgments or orders for the payment of any sum in excess of U.S.\$50,000,000 (whether individually or in aggregate) is rendered against ICD and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 45 days after the date thereof; or
- (e) if any order is made by any competent court or resolution passed for the winding up or dissolution of ICD, save for the purposes of any intra-Group reorganisation on a solvent basis; or
- (f) if ICD ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms approved in writing by the Delegate or by an Extraordinary Resolution of the Certificateholders, or ICD stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (i) court or other formal proceedings are initiated against ICD under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being

actively contested in good faith by ICD), or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to ICD or, as the case may be, in relation to the whole or substantially all of its undertaking, assets or revenues or an encumbrancer takes possession of the whole or substantially all of its undertaking, assets or revenues, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or substantially all of its undertaking, assets or revenues and (ii) in any case (other than the appointment of an administrator) is not discharged within 30 days; or

- (h) if ICD initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors), save for the purposes of any intra-Group reorganisation on a solvent basis; or
- (i) if any event occurs which under the laws of the United Arab Emirates or any Emirate therein has an analogous effect to any of the events referred to in paragraphs (e) to (h) (inclusive) above; or
- (j) if at any time (x) any regulation, decree, consent, approval, licence or other authority necessary to enable ICD to perform its obligations under or in respect of the Trust Certificates and/or the Transaction Documents to which it is a party or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any rights or claims of any of the Certificateholders or (y) it is or becomes unlawful for ICD to perform or comply with any or all of its obligations under or in respect of the Trust Certificates and/or the Transaction Documents to which it is a party or any of the obligations of ICD thereunder are not or cease to be legal, valid, binding or enforceable for reasons other than set out in paragraph (x).

For the purposes of this Condition **Financial Indebtedness** means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes, *sukuk*, certificates or other similar instruments).

## 14. ENFORCEMENT AND EXERCISE OF RIGHTS

### 14.1 Enforcement

Upon the occurrence of a Dissolution Event and the giving of notice to the Issuer by the Delegate, to the extent that the amounts payable in respect of the Trust Certificates have not been paid in full pursuant to Condition 13, the Delegate shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

- (a) enforce the provisions of the Transaction Documents against ICD (in whichever capacity it is acting thereunder); and/or
- (b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 14.2, the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Issuer, the Trustee and/or ICD to enforce their respective obligations under the Transaction Documents, these Conditions and the Trust Certificates.

#### **14.2 Delegate not obliged to take Action**

Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Issuer and/or ICD under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Trust Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

#### **14.3 Direct Enforcement by Certificateholder**

No Certificateholder shall be entitled to proceed directly against the Issuer or ICD under any Transaction Document unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing.

#### **14.4 Limited Recourse**

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 and the Trust Deed, the obligations of the Issuer and the Trustee in respect of the Trust Certificates shall be satisfied and no holder of the Trust Certificates may take any further steps against the Issuer, the Trustee (to the extent that the Trust Assets have been exhausted), ICD (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates to recover any further sums in respect of the Trust Certificates and the right to receive any sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer or the Trustee nor under any circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against ICD shall be to enforce its obligations under the Transaction Documents.

### **15. REPLACEMENT OF DEFINITIVE TRUST CERTIFICATES**

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer or ICD may reasonably require. Mutilated or defaced Trust Certificates must be surrendered before replacements will be issued.

### **16. NOTICES**

Notices to Certificateholders shall be deemed to be validly given if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses recorded in the Register.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Trust Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the fourth day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Until such time as any definitive Trust Certificates are issued, there may, so long as any Global Trust Certificate representing the Trust Certificates is held on behalf of Euroclear and/or Clearstream,

Luxembourg, be substituted for such publication or mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Certificateholders and, in addition, for so long as any Trust Certificates are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## **17. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- 17.1 The Master Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions, the provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Issuer, the Trustee, ICD and/or the Delegate and shall be convened by the Issuer if required in writing by Certificateholders holding not less than one-twentieth in aggregate face amount of the Trust Certificates of any Series for the time being outstanding. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present or representing Certificateholders whatever the outstanding aggregate face amount of the Trust Certificates so held or represented, except that any meeting the business of which includes the modification of certain provisions of the Trust Certificates (defined in the Master Trust Deed as a Reserved Matter, and which includes changing any date fixed for payment of a Periodic Distribution Amount or Dissolution Amount in respect of the Trust Certificates, reducing or cancelling the Periodic Distribution Amount or Dissolution Amount payable on any date in respect of the Trust Certificates, except where such alteration is in the opinion of the Delegate bound to result in an increase in the amount of such payment, altering the method of calculating the amount of any payment in respect of the Trust Certificates on redemption or maturity, altering the currency of payment of the Trust Certificates, amending Condition 5, any of the Trustee's covenants in the Master Trust Deed or ICD's obligations to make a payment under any Transaction Document to which it is a party), the quorum shall be one or more persons present holding or representing not less than two-thirds in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present holding or representing not less than one-third in aggregate face amount of the Trust Certificates for the time being outstanding. An Extraordinary Resolution duly passed as described above will be binding on all holders of the Trust Certificates, irrespective of if, or how, they voted on such Extraordinary Resolution and whether (if applicable) they attended the meeting.
- 17.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or any other Transaction Document by the Trustee or ICD, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or Potential Dissolution Event (as defined in the Master Trust Deed) shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest error or (c) such modification (other than where it is in respect of a Reserved Matter), waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders.

- 17.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate, the Issuer, the Trustee, ICD or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent already provided for in Condition 11.
- 17.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall, unless the Delegate agrees otherwise, be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 16 provided that failure to give such notification shall not invalidate such modification, abrogation, waiver, authorisation or determination.

## **18. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE**

- 18.1 The Trust Deed contains provisions (i) for the indemnification of each of the Delegate and the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction and (ii) pursuant to which the Delegate is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, ICD and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer, the Trustee, ICD or any person or body corporate associated with the Issuer, the Trustee or ICD, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.
- 18.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of ICD under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by ICD but are not so made and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.
- 18.3 Each of the Trustee and the Delegate is exempted from (i) any liability in respect of any loss or theft of the Trust Assets or any cash, (ii) any obligation to insure the Trust Assets or any cash and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default or fraud by the Trustee or the Delegate, as the case may be.

## **19. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Certificateholders to create and issue additional trust certificates having terms and conditions the same as the Trust Certificates or the same in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue) and so that the same shall be consolidated and form a single Series with the outstanding Trust Certificates. Any additional trust certificates which are to form a single Series with the outstanding Trust Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed.

## **20. CURRENCY INDEMNITY**

The Specified Currency is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Trust Certificates, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Certificateholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount of the Specified Currency which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount of Specified Currency is less than the amount of Specified Currency expressed to be due to the recipient under any Trust Certificate, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Certificateholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Certificateholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Trust Certificates or any other judgment or order.

## **21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **22. GOVERNING LAW AND DISPUTE RESOLUTION**

22.1 The Trust Deed and the Trust Certificates (including the remaining provisions of this Condition) and any non-contractual obligations arising out of or in connection with the Trust Deed and the Trust Certificates are governed by, and shall be construed in accordance with, English law.

22.2 Subject to Condition 22.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed and/or the Trust Certificates (including a dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a Dispute) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the Rules), which Rules (as amended from time to time) are incorporated by reference into this Condition 22.2. For these purposes:

- (a) the seat of arbitration shall be the Dubai International Financial Centre (the **DIFC**);
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (c) the language of the arbitration shall be English.

22.3 Notwithstanding Condition 22.2 above, the Delegate or any Certificateholder (only where permitted so to do in accordance with the terms of the Master Trust Deed) may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 22.4 and, subject as provided below, any arbitration commenced under Condition 22.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by ICD), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate or the relevant Certificateholder (only where permitted so to do in accordance with the terms of the Master Trust Deed), as the case may be, must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) such arbitrator's entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

22.4 In the event that a notice pursuant to Condition 22.3 is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England or the courts of the DIFC, at the option of the Delegate or any Certificateholder (only where permitted to take such action in accordance with the terms of the Master Trust Deed) shall each have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England or the courts of the DIFC, as applicable, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 22.4 is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Delegate and any Certificateholder (only where permitted so to do in accordance with the terms of the Master Trust Deed) may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

22.5 The Issuer appoints (and ICD has appointed in the Transaction Documents which are governed by English law and to which it is a party) TMF Corporate Services Limited at its registered office at Pellipar House, 1st Floor, 9 Cloak Lane, London EC4R 2RU as its agent for service of process in England and undertakes (and ICD has undertaken in such Transaction Documents as aforesaid) that, in the event of TMF Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. The Issuer agrees (and ICD has agreed in such Transaction Documents as aforesaid) that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

22.6 ICD has in the Transaction Documents to which it is a party irrevocably and unconditionally with respect to any dispute or proceedings (i) waived any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submitted to

the jurisdiction of the Dubai courts (in the case of those Transaction Documents which are governed by the laws of Dubai) or of the English courts and the courts of the DIFC (in the case of those Transaction Documents which are governed by English law) and the courts of any other jurisdiction (in the case of all Transaction Documents to which it is a party) in relation to the recognition of any judgment or order of the English courts, the courts of the DIFC, the Dubai courts or the courts of any competent jurisdiction in relation to any dispute or proceedings and (iii) consented to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment in connection with any proceedings or disputes. Notwithstanding the foregoing, ICD has not in the Transaction Documents to which it is a party made any representation as to whether Article 247 of UAE Federal Law No. 11 of 1992 regarding the Law of Civil Procedure will apply to its assets, revenues or property.

22.7 Each of the Issuer, the Trustee, ICD and the Delegate has agreed in the Master Trust Deed that if any arbitration or court proceedings are brought by or on behalf of a party under the Master Trust Deed and these Conditions, each party agrees that it will:

- (a) not claim any judgment interest under, or in connection with, such proceedings; and
- (b) to the fullest extent permitted by law, waive all and any entitlement it may have to judgment interest awarded in its favour by any court as a result of such proceedings.

For the avoidance of doubt, nothing in this Condition 22.7 shall be construed as a waiver of rights in respect of rental payable under the relevant Lease Agreement, Periodic Distribution Amounts payable under the Trust Certificates or profit of any kind howsoever described payable by Investment Corporation of Dubai (in any capacity) or ICD Sukuk Company Limited (in any capacity) pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.



## **USE OF PROCEEDS**

The net proceeds of each Series issued will be paid by the Trustee (as Purchaser) to ICD in consideration for the purchase from ICD or (as applicable) the relevant seller entity specified in the relevant Supplemental Purchase Agreement of all of its rights, title, interests, benefits and entitlements in, to and under the assets described in such Supplemental Purchase Agreement.

## DESCRIPTION OF THE ISSUER

### General

ICD Sukuk Company Limited, a Cayman Islands exempted company with limited liability, was incorporated on 15 January 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number MC-284409. The Issuer has been established as a special purpose vehicle for the sole purpose of issuing Trust Certificates under the Programme and entering into the transactions contemplated by the Transaction Documents. The registered office of the Issuer is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

The authorised share capital of the Issuer is U.S.\$50,000 divided into ordinary shares of U.S.\$1.00 each, 250 of which have been issued. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (the **Share Trustee**) under the terms of a declaration of trust (the **Share Declaration of Trust**) dated 27 March 2014 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose of or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Trust Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### Business of the Issuer

The Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Trust Certificates to be issued under the Programme. The Trust Certificates are the obligations of the Issuer alone and not the Share Trustee.

The objects for which the Issuer is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 15 January 2014.

### Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Issuer

The Directors of the Issuer are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
Andrew Millar	Senior Vice President of Maples Fund Services (Middle East) Limited
Cleveland Stewart	Vice President of MaplesFS Limited

The business address of Andrew Millar is c/o Maples Fund Services (Middle East) Limited, Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

### **The Administrator**

MaplesFS Limited also acts as the administrator of the Issuer (the **Issuer Administrator**). The office of the Issuer Administrator serves as the general business office of the Issuer. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Issuer Administrator has agreed to perform in the Cayman Islands, the UAE or such other jurisdiction as may be agreed by the parties from time to time, various management functions on behalf of the Issuer and the provision of certain clerical, administrative and other services, including communications with shareholders and the general public, until termination of the Corporate Services Agreement. The Issuer and the Issuer Administrator have also entered into a registered office agreement (the **Registered Office Agreement**) for the provision of registered office facilities to the Issuer. In consideration of the foregoing, the Issuer Administrator will receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement and the Registered Office Agreement provide that either the Issuer or the Issuer Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party, and the Corporate Services Agreement further provides that the Issuer Administrator may terminate such agreement following the occurrence of a Dissolution Event.

The Issuer Administrator will be subject to the overview of the Issuer's Board of Directors.

The Issuer Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

The Directors of the Issuer are all employees or officers of the Issuer Administrator (or an affiliate thereof). The Issuer has no employees and is not expected to have any employees in the future.

## CAPITALISATION

The following table sets forth the Group's capitalisation as at 30 June 2013.

This table should be read together with "*Presentation of Financial and Other Information*", "*Selected Historical Financial Data*", "*Operating and Financial Review*" and the Financial Statements, appearing elsewhere in this Base Prospectus.

	As at 30 June 2013 (unaudited)
	<i>(AED'000)</i>
<b>Cash and deposits with banks<sup>(1)</sup></b> .....	<b>91,681,561</b>
<b>Debt</b> .....	
Short-term debt <sup>(2)</sup> .....	62,128,228
Long-term debt <sup>(3)</sup> .....	93,584,524
<b>Total debt</b> .....	<b>155,712,752</b>
<b>Equity</b> .....	
Capital .....	64,534,449
Retained earnings .....	44,847,199
Other reserves <sup>(4)</sup> .....	15,596,250
Non-controlling interests .....	28,012,497
<b>Total equity</b> .....	<b>152,990,395</b>
<b>Total capitalisation<sup>(5)</sup></b> .....	<b>308,703,147</b>

<sup>(1)</sup> Comprises the current assets portion and non-current assets portion of cash and deposits with banks. Cash and deposits with banks includes reserve requirements kept with the UAE Central Bank which are not available for day-to-day operations of the Group and cannot be withdrawn without approval from the UAE Central Bank.

<sup>(2)</sup> Comprises short-term borrowing and lease liabilities.

<sup>(3)</sup> Comprises long-term borrowing and lease liabilities.

<sup>(4)</sup> Other reserves comprise legal and statutory reserve, capital reserve, merger reserve, cost of shares based payments, cumulative changes in fair value of investments, general reserve, asset replacement reserve, translation reserve and other reserves.

<sup>(5)</sup> Total equity plus total debt.

## SELECTED HISTORICAL FINANCIAL DATA

The tables below set forth selected historical consolidated financial information for the Group as at and for the six month periods ended 30 June 2013 and 30 June 2012 and the years ended 31 December 2012 and 2011.

The selected financial information set forth below should be read in conjunction with, and is qualified by reference to "*Presentation of Financial and Other Information*", "*Operating and Financial Review*" and the Financial Statements, appearing elsewhere in this Base Prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

### Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position at 30 June 2013 and at 31 December in each of 2012 and 2011.

	As at 30 June (unaudited)	As at 31 December	
	2013	2012	2011
		(AED'000)	
<b>Total non-current assets</b> .....	<b>312,532,748</b>	<b>292,882,778</b>	<b>257,464,789</b>
Property, plant and equipment .....	106,658,913	98,970,496	77,346,609
Intangible assets .....	24,742,032	20,217,384	14,006,686
Investment properties .....	7,415,350	7,372,306	7,258,944
Development properties .....	266,367	320,804	295,909
Investments in associates and joint ventures .....	31,771,489	31,618,219	30,046,784
Investments in marketable securities .....	20,408,332	16,109,037	17,159,915
Other non-current assets .....	18,775,838	20,979,230	14,517,524
Islamic financing and investment products .....	23,514,322	20,331,166	16,622,589
Loans and receivables .....	74,501,418	72,644,622	76,348,007
Cash and deposits with banks .....	3,188,464	2,495,055	1,925,820
Positive fair value of derivatives .....	1,213,153	1,681,784	1,909,086
Deferred tax asset .....	77,070	142,675	26,916
<b>Total current assets</b> .....	<b>274,261,805</b>	<b>240,734,001</b>	<b>210,996,710</b>
Investments in marketable securities .....	4,121,434	4,614,386	3,859,358
Inventories .....	13,251,340	11,151,322	9,636,445
Trade and other receivables .....	33,777,484	27,673,573	26,890,068
Islamic financing and investment products .....	12,311,461	11,800,109	12,589,994
Loans and receivables .....	116,617,798	105,595,828	92,450,823
Cash and deposits with banks .....	88,493,097	72,854,907	60,592,275
Positive fair value of derivatives .....	1,093,818	731,882	1,199,988
Customer acceptances .....	4,585,340	6,301,961	3,777,759
Assets classified as held for sale .....	10,033	10,033	-
<b>Total assets</b> .....	<b>586,794,553</b>	<b>533,616,779</b>	<b>468,461,499</b>
<b>Total equity</b> .....	<b>152,990,395</b>	<b>141,999,734</b>	<b>127,452,232</b>
<b>Total non-current liabilities</b> .....	<b>119,964,829</b>	<b>110,380,859</b>	<b>83,736,688</b>
Employees' end of service benefits .....	1,827,877	1,547,353	1,405,823
Borrowings and lease liabilities .....	93,584,524	79,144,637	59,308,608
Negative fair value of derivatives .....	1,901,305	2,651,944	2,728,544
Other non-current payables .....	5,368,826	4,714,265	3,043,583
Customer deposits .....	7,790,527	15,277,375	11,907,440

	As at 30 June (unaudited)	As at 31 December	
	2013	2012	2011
		(AED'000)	
Islamic customer deposits .....	8,490,978	6,074,115	4,709,500
Deferred tax liability .....	963,751	971,170	633,190
Deposits under repurchase agreements .....	37,041	-	-
<b>Total current liabilities .....</b>	<b>313,839,329</b>	<b>281,236,186</b>	<b>257,272,579</b>
Employees' end of service benefits .....	1,636	1,342	831
Borrowings and lease liabilities .....	62,128,228	52,517,539	52,282,121
Negative fair value of derivatives .....	887,998	680,268	475,475
Trade and other payables .....	59,211,710	50,217,862	33,417,459
Customer deposits .....	159,403,344	142,804,853	132,444,032
Islamic customer deposits .....	26,691,676	26,903,467	31,400,461
Deposits under repurchase agreements .....	150,117	730,873	2,519,660
Current income tax liability .....	769,197	1,067,937	940,444
Customer acceptances .....	4,585,339	6,301,961	3,777,759
Deferred tax liability .....	-	-	14,337
Liabilities relating to assets held for sale .....	10,084	10,084	-
<b>Total equity and liabilities .....</b>	<b>586,794,553</b>	<b>533,616,779</b>	<b>468,461,499</b>

### Consolidated Statement of Comprehensive Income Data

The table below shows the Group's consolidated statement of comprehensive income for the six month periods ended 30 June 2013 and 30 June 2012 and for the years ended 31 December 2012 and 31 December 2011.

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
			(AED'000)	
Profit for the period/year .....	8,135,518	8,518,398	16,468,761	16,906,337
Other comprehensive income for the period/year <sup>(1)</sup> .....	321,174	5,821	511,299	(121,378)
<b>Total comprehensive income for the period/year .....</b>	<b>8,456,692</b>	<b>8,524,219</b>	<b>16,980,060</b>	<b>16,784,959</b>

(1) Comprising, among other things, net movement in fair value of available-for-sale investments and cash flow hedges, actuarial loss on defined benefit plan, foreign currency translation differences and Group's share in other equity movements of equity accounted investees.

### Consolidated Cash Flow Statement Data

The table below shows the Group's consolidated cash flow statement for the six month periods ended 30 June 2013 and 30 June 2012 and for the years ended 31 December 2012 and 31 December 2011.

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
			(AED'000)	
Net cash generated from operating activities .....	1,111,227	12,428,076	23,664,604	28,892,162
Net cash used in investing activities .....	(22,337,981)	(2,588,298)	(17,943,908)	(5,822,527)
Net cash generated from/(used in) financing activities ..	13,606,695	(2,014,303)	(3,108,716)	(23,468,235)
Net (decrease)/increase in cash and cash equivalents ....	(7,620,059)	7,825,475	2,611,980	(398,600)
Cash and cash equivalents at the beginning of the period/year .....	12,990,394	9,051,468	9,051,468	8,556,078
<b>Cash and cash equivalents at the end of the period/year .....</b>	<b>9,436,542</b>	<b>18,225,889</b>	<b>12,990,394</b>	<b>9,051,468</b>

## OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the information included in "*Presentation of Financial and Other Information*", "*Selected Historical Financial Data*" and the Financial Statements, appearing elsewhere in this Base Prospectus.

The following discussion contains forward looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "*Presentation of Financial and Other Information – Cautionary Statement Regarding Forward Looking Statements*" and "*Risk Factors*".

### Overview

ICD was incorporated on 3 May 2006 pursuant to *Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*. ICD's mandate is to consolidate and manage the existing portfolio of companies and investments of the Government and to provide strategic oversight to the portfolio by developing and implementing an investment strategy and corporate governance policies for the long-term benefit of Dubai (see "*Description of ICD and the Group – Introduction*" for further detail). ICD is directly and wholly-owned by, and is the principal investment arm of, the Government. ICD's investment portfolio represents a cross-section of Dubai's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Dubai and the UAE.

For the six month period ended 30 June 2013, the Group had revenues of AED 91.2 billion, net income of AED 8.1 billion and total comprehensive income of AED 8.5 billion. For the six month period ended 30 June 2012, the Group had revenues of AED 77.3 billion, net income of AED 8.5 billion and total comprehensive income of AED 8.5 billion.

For the year ended 31 December 2012, the Group had revenues of AED 160.8 billion, net income of AED 16.5 billion and total comprehensive income of AED 17.0 billion. For the year ended 31 December 2011, the Group had revenues of AED 142.4 billion, net income of AED 16.9 billion and total comprehensive income of AED 16.8 billion.

### Factors Affecting Results of Continuing Operations

#### *Acquisitions and Disposals*

ICD has recently engaged in a number of new investment activities. As a result, year-on-year comparisons of the Group's financial statements may not be representative of the Group's underlying financial performance. Key acquisitions and disposals made by ICD since 1 January 2011 are described below.

Each of these investments, acquisitions and disposals has been reflected in the Financial Statements from its date of completion. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control of the relevant company and continue to be consolidated until the date when such control of the relevant company ceases. The financial statements of the subsidiaries are prepared for the same reporting period as ICD, which are then consolidated using consistent accounting policies (each subsidiary has its individual accounting policies although each subsidiary prepares its financial statements in accordance with IFRS). All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. For discontinued operations, comparative information is reclassified for the immediately preceding period.

*Year ended 31 December 2012*

- ICD acquired a 100.0 per cent. shareholding in D-Clear Europe Limited (**D-Clear**) from a related party of the Group for a consideration of U.S.\$1. In addition, the Group also acquired bonds issued by D-Clear (together with interest accrued thereon as at the date of purchase by the Group) for a cash consideration of AED 918.8 million (U.S.\$250.0 million);
- a related party of the Group partly repaid a loan to the Group by way of transfer of shares owned by it in Dubai Aerospace Enterprise (DAE) Limited (**DAE**) to ICD, with a fair value consideration of AED 220.5 million. Accordingly, ICD's investment in DAE increased to 68.36 per cent. (from 51.40 per cent. as at 31 December 2011); and
- a related party of the Group partly repaid a loan to the Group by way of transfer of shares owned by it in Borse Dubai Limited (**Borse Dubai**) to ICD, with a fair value consideration of AED 642.4 million. Accordingly, ICD's investment in Borse Dubai increased to 89.72 per cent. (from 79.43 per cent. as at 31 December 2011).

For further information, see notes 12 and 13 to the 2012 Financial Statements.

*Year ended 31 December 2011*

- Law No. 11 of 2011 Amending Law No. 14 of 2007 Establishing Dubai Real Estate Corporation transferred control, in June 2011, of DREC from ICD to H.H. The Ruler of Dubai; and
- ICD agreed with the other shareholders (each of which was a related party) of DAE that, in consideration for the support provided by ICD to DAE, the shareholders (with the exception of one shareholder which was an ICD subsidiary) would transfer a certain proportion of their investment in DAE to ICD. For the shareholder that was an ICD subsidiary it was agreed that the consideration would be distributed to ICD in the form of a dividend. Accordingly, ICD's stake in DAE increased to 51.40 per cent. (from 33.40 per cent. as at 31 December 2010).

For further information, see notes 12, 13 and 18 to the 2011 Financial Statements.

***Principal Portfolio Companies***

ICD's results and operations are primarily dependent on the results and contributions of its principal portfolio companies, which comprise ICD's subsidiaries and its investments in associates and joint ventures. For summary information regarding ICD's principal portfolio companies, see "*Description of ICD and the Group – Subsidiaries, Associates and Joint Ventures*".

The Group has the following ten reporting segments:

- *Transportation and related services.* This segment is comprised primarily of the operations of dnata (which provides aircraft handling and engineering services and other travel related services), DAE (which provides aircraft leasing services) and Emirates (which provides commercial air transportation, including retail of consumer goods and in-flight catering, and hotel operations);
- *Oil and gas products/services.* This segment is comprised of the operations of ENOC (whose principal activities include upstream oil and gas production and downstream marketing and retailing of oil and gas functions);
- *Banking and other financial services.* This segment is comprised of subsidiaries and associates with banking operations (primarily Commercial Bank of Dubai PJSC (**CBD**), DIB, ENBD and Noor Islamic Bank PJSC (**NIB**)), non-bank financial institutions (primarily HSBC Middle East Finance Company Limited (**MEFCO**)), investment operations (National Bonds Corporation PJSC (**National Bonds**)),



Borse Dubai Limited (**Borse Dubai**) (which holds and administers interests in the financial exchange sector, specifically, the Dubai Financial Market (**DFM**) and NASDAQ Dubai Ltd. (**NASDAQ Dubai**)) and D-Clear (which provides financial transaction management advice);

- *Industrial manufacturing.* This segment is comprised primarily of the operations of EGA (which owns aluminium smelter companies, Dubai Aluminium PJSC (**DUBAL**) and Emirates Aluminium Company Limited PJSC (**EMAL**)) and DUCAB (which manufactures and sells cables);
- *Retail trade.* This segment is comprised primarily of the operations of Aswaaq LLC (which owns and operates supermarkets and provides retail services), Dubai Duty Free (**DDF**) (which provides duty free retail services at Dubai's airports) and Galadari Brothers Company LLC (**Galadari Bros.**) (which engages in trading of goods and services across various sectors such as land development, distribution of automobiles, travel agency and trading of industrial machinery);
- *Rental income.* This segment is predominantly comprised of the operations of Dubai Airport Freezone Authority (**DAFZA**) (which is a freezone authority primarily relating to the aviation industry), Dubai World Trade Centre Corporation (**DWTC**) (which owns and operates the Dubai World Trade Centre) excluding the hotel operations and Dubai Silicon Oasis Authority (**DSO**) (which is a freezone authority primarily relating to the technology services sector);
- *Hotels and leisure.* This segment is primarily comprised of the hotel operations of DWTC and Kerzner International Holdings Limited (**KIHL**) (see also "*Description of ICD and the Group – Recent Developments*");
- *Contract revenue.* This segment is primarily comprised of the operations of Cleveland Bridge & Engineering Middle East (Private) Limited (which designs, manufactures and installs structural steelwork);
- *Other investment income.* This segment is primarily comprised of minority financial investments (typically comprising relatively small percentage shareholdings in businesses which ICD believes will provide competitive dividend flow and/or capital appreciation (this includes investment in private equity) as well as investments in debt instruments); and
- *Others.* This segment is comprised of Emaratech (Emarat Technology Solutions) FZ-LLC (which provides information technology services).

### Capital

Capital represents the permanent capital provided by the Government and subsequent contributions in cash or in kind by the Government less repayments made by ICD in cash or in kind. The following table sets forth movements in the capital of ICD for the reporting periods indicated:

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
	(AED'000)			
Balance at the beginning of the period/year .....	64,534,449	64,253,449	64,253,449	224,394,919
Increase in capital during the period/year .....	—	—	281,000	—
Transfer of freehold land contributed by the Government .....	—	—	—	80,396 <sup>(1)</sup>
Return of capital to the Government .....	—	—	—	(154,520) <sup>(2)</sup>
Transfer of a subsidiary back to the Government.....	—	—	—	(160,067,346) <sup>(3)</sup>
	<b>64,534,449</b>	<b>64,253,449</b>	<b>64,534,449</b>	<b>64,253,449</b>

- (1) During 2011, title of certain properties was transferred by the Government to the Group in the form of capital contribution, which was eventually passed on by ICD to a Group subsidiary in 2011. The properties were transferred at their fair values at the date of transfer amounting to AED 80.4 million.
- (2) During 2011, a Group subsidiary repaid part of its capital by transfer of investment properties having a carrying value of AED 154.5 million to ICD. These were transferred onwards by ICD to the Government and were treated as repayment of capital.
- (3) See note 12(a) to the 2011 Financial Statements.

### ***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. See also "*Relationship with the Government – Funding, Support and Oversight from the Government*".

### ***Foreign Currency Translation***

The Financial Statements are presented in dirhams, which is ICD's functional and presentation currency. Each Group entity determines its own functional currency and items included in the financial statements of each such entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange prevailing 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 prevailing 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 prevailing 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 is also 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 the functional currency of a Group entity is other than dirhams, the assets and liabilities of such entity are translated into the presentation currency of the Group at the rate of exchange prevailing as at the reporting date and such entity's income statements are translated at the weighted average exchange rates for the period. The exchange rate 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.

### ***Historical Results of Operations***

The following table sets forth the Group's consolidated income statement for the reporting periods indicated:

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
	(AED'000)			
<b>CONTINUING OPERATIONS</b>				
Revenues.....	91,184,306	77,297,029	160,758,115	142,351,358
Cost of revenues.....	(75,082,569)	(63,500,621)	(130,799,882)	(112,389,914)
	16,101,737	13,796,408	29,958,233	29,961,444
Other income.....	2,320,660	3,266,574	4,763,105	4,342,016
Gain on disposal of stake in an indirect subsidiary or/and fair value gain on retained interest in joint venture .....	—	—	6,793	1,812,799
Net gain from derivative instruments.....	178,253	191,751	181,176	206,411
General, administrative and other expenses .....	(8,208,710)	(6,968,575)	(14,612,841)	(14,161,525)
Net impairment losses on financial assets.....	(2,094,912)	(2,463,176)	(4,218,800)	(6,352,789)
Other finance income.....	710,435	575,728	1,179,818	1,110,746
Other finance costs.....	(1,793,961)	(1,072,961)	(2,556,848)	(2,200,586)
Gain in respect of associates and joint ventures.....	1,334,627	1,633,307	2,711,509	2,500,815
<b>PROFIT FOR THE PERIOD/YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b> .....	8,548,129	8,959,056	17,412,145	17,219,331
Income tax expense.....	(412,611)	(440,658)	(976,365)	(992,868)
<b>PROFIT FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS</b>	8,135,518	8,518,398	16,435,780	16,226,463
<b>DISCONTINUED OPERATIONS</b>				
Profit for the period/year from discontinued operations	—	—	32,981	679,874
<b>PROFIT FOR THE PERIOD/YEAR</b> .....	<b>8,135,518</b>	<b>8,518,398</b>	<b>16,468,761</b>	<b>16,906,337</b>

### Revenue

The Group recognises revenue 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. For a discussion of the Group's revenue recognition policies, see note 2.6 to the 2012 Financial Statements.

The following table sets forth the components of the Group's revenue in respect of each of its reporting segments for the reporting periods indicated:

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
	(AED'000)			
Transportation and related services.....	43,277,977	34,896,487	76,002,586	64,068,595
Oil and gas products/services.....	31,520,122	26,702,885	53,515,273	45,523,629
Banking and other financial services .....	6,277,682	6,132,371	12,234,159	13,349,283
Industrial manufacturing .....	4,744,000	4,892,697	9,767,967	11,143,813
Retail trade.....	3,248,390	2,885,152	5,935,010	5,446,919
Rental income .....	1,101,692	1,011,203	1,796,432	1,742,808
Hotels and leisure.....	141,710	125,283	231,086	199,488
Contract revenue .....	111,213	66,530	149,304	140,793
Other investment income .....	101,909	94,130	126,105	163,476
Others.....	659,611 <sup>(1)</sup>	490,291 <sup>(2)</sup>	1,000,193	572,554

<b>Six month period ended 30 June</b>		<b>Year ended 31 December</b>	
<b>(unaudited)</b>			
<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
<i>(AED'000)</i>			
<b>91,184,306</b>	<b>77,297,029</b>	<b>160,758,115</b>	<b>142,351,358</b>

(1) Includes revenue from exchange house trading and fee income (AED 155.4 million).

(2) Includes revenue from exchange house trading and fee income (AED 96.4 million).

Major segments contributing to the Group's revenues are transportation and related services (47.5 per cent., 45.1 per cent., 47.3 per cent. and 45.0 per cent. of the Group's revenue for the six month periods ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011, respectively) and oil and gas products/services (34.6 per cent., 34.5 per cent., 33.3 per cent. and 32.0 per cent. of the Group's revenue for the six month periods ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011, respectively).

The Group's revenue for the year ended 31 December 2012 was AED 160.8 billion as compared to revenue of AED 142.4 billion for the year ended 31 December 2011, which represents an increase of 12.9 per cent., or AED 18.4 billion. The increase in revenue reflects an increase in revenue from transportation and related services (an increase of AED 11.9 billion) due to increased passenger sales for Emirates and an increase in revenue from oil and gas products/services (an increase of AED 8.0 billion) due to a combination of increases in sales volume and the price of crude oil. This increase was partially offset by a decrease in revenue from the industrials sector (a decrease of AED 1.4 billion) primarily due to a sharp decrease in the price of raw metals during 2012 as compared to 2011.

The Group's revenue for the six month period ended 30 June 2013 was AED 91.2 billion as compared to revenue of AED 77.3 billion for the six month period ended 30 June 2012, which represents an increase of 18.0 per cent., or AED 13.9 billion. The increase in revenue reflects an increase in revenue from transportation and related services (an increase of AED 8.4 billion) due to increased passenger sales for Emirates and an increase in revenue from oil and gas products/services (an increase of AED 4.8 billion) due to an increase in sales volume, despite a decrease in crude oil prices.

### **Cost of Revenue**

The following table sets forth the components of the Group's costs of revenue in respect of each of its reporting segments for the reporting periods indicated:

	<b>Six month period ended 30 June</b>		<b>Year ended 31 December</b>	
	<b>(unaudited)</b>			
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
<i>(AED'000)</i>				
Transportation and related services.....	37,253,924	30,812,028	65,336,207	54,882,751
Oil and gas products/services.....	29,745,023	24,658,828	49,023,640	40,599,937
Banking and other financial services .....	1,655,158	1,718,852	3,568,408	4,199,534
Industrial manufacturing .....	3,634,998	3,762,254	7,658,403	7,867,079
Retail trade.....	2,034,932	1,838,673	3,800,567	3,574,139
Rental expense .....	548,042	535,454	967,610	951,780
Hotels and leisure.....	65,812	58,402	122,622	108,168
Contract costs.....	83,310	47,695	121,663	74,846
Others.....	61,370	68,435	200,762	131,680
	<b>75,082,569</b>	<b>63,500,621</b>	<b>130,799,882</b>	<b>112,389,914</b>

Similar to the Group's revenue, the Group's cost of revenue is also primarily attributable to the transportation and related services segment (49.6 per cent., 48.5 per cent., 50.0 per cent. and 48.8 per cent. of the Group's

revenue for the six month periods ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011, respectively) and the oil and gas products/services segment (39.6 per cent., 38.8 per cent., 37.5 per cent. and 36.1 per cent. of the Group's revenue for the six month periods ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011, respectively).

The Group's cost of revenue for the year ended 31 December 2012 was AED 130.8 billion as compared to cost of revenue of AED 112.4 billion for the year ended 31 December 2011, which represents an increase of 16.4 per cent., or AED 18.4 billion. The increase in cost of revenue reflects an increase in cost of revenue of transportation and related services (an increase of AED 10.5 billion) and an increase in cost of revenue of oil and gas products/services (an increase of AED 8.4 billion) due to the Group's expanding operations in these sectors.

The Group's cost of revenue for the six month period ended 30 June 2013 was AED 75.1 billion as compared to cost of revenue of AED 63.5 billion for the six month period ended 30 June 2012, which represents an increase of 18.3 per cent., or AED 11.6 billion. The increase in cost of revenue reflects an increase in cost of revenue of transportation and related services (an increase of AED 6.4 billion) and an increase in cost of revenue of oil and gas products/services (an increase of AED 5.1 billion) due to the Group's expanding operations in these sectors.

### ***Other income***

Other income principally includes: foreign exchange income; net gain on sale of investment securities; liquidated damages; net changes in fair value of investments carried at fair value; dividend income; gain on sale and leaseback of aircraft; certain reversals of provisions and gains on disposal of property, plant and equipment, investment properties, intangible assets, deemed disposal of previously owned associate; and sale of jointly controlled entity.

The Group's other income for the year ended 31 December 2012 was AED 4.8 billion as compared to other income of AED 4.3 billion for the year ended 31 December 2011, which represents an increase of 9.7 per cent., or AED 421.1 million. The increase in other income was mainly due to an increase of AED 957.7 million in liquidated damages and an increase of AED 224.3 million in income from the deemed disposal of an associate which was attributable to the Group's re-measurement of its previously held investment in DAE at its fair value on the date of attaining control of DAE.

The Group's other income for the six month period ended 30 June 2013 was AED 2.3 billion as compared to other income of AED 3.3 billion for the six month period ended 30 June 2012, which represents a decrease of 29.0 per cent., or AED 945.9 million. The decrease in other income reflects a decrease of AED 650.2 million in liquidated damages and the Group's recognition of AED 398.7 million as gain on account of reversal of impairment loss for the six month period ended 30 June 2012.

### ***General, administrative and other expenses***

General, administrative and other expenses principally include staff costs, sales and marketing expenses, depreciation, impairment and amortisation expenses, repair and maintenance expenses, office and equipment rentals and other general and administration expenses.

The Group's general, administrative and other expenses for the year ended 31 December 2012 were AED 14.6 billion as compared to general, administrative and other expenses of AED 14.2 billion for the year ended 31 December 2011, which represents an increase of 3.2 per cent., or AED 451.3 million. The Group's general, administrative and other expenses for the six month period ended 30 June 2013 were AED 8.2 billion as compared to general, administrative and other expenses of AED 7.0 billion for the six month period ended 30 June 2012, which represents an increase of 17.1 per cent., or AED 1.2 billion (such increase being proportionally commensurate to the increase in Group revenue over the same period).

### ***Net impairment losses on financial assets***

Net impairment losses on financial assets includes impairment losses on loans and receivables; trade and other receivables; available-for-sale investments; investments in associates and joint ventures; Islamic financing and investment products; and other financial assets; reduced by reversals of impairment provisions.

The Group's net impairment losses on financial assets for the year ended 31 December 2012 were AED 4.2 billion as compared to AED 6.4 billion for the year ended 31 December 2011, which represents a decrease of 34.4 per cent., or AED 2.2 billion. This decrease was primarily due to a decrease of: (i) AED 949.8 million in the impairment losses on loans and receivables arising from the operations of a banking subsidiary; (ii) AED 602.3 million in the impairment losses on available-for-sale investments; and (iii) AED 349.2 million in the impairment losses on investments in associates and joint ventures.

The Group's net impairment losses on financial assets for the six month period ended 30 June 2013 were AED 2.1 billion as compared to net impairment losses on financial assets of AED 2.5 billion for the six month period ended 30 June 2012, which represents a decrease of 15.0 per cent., or AED 368.3 million. This decrease was primarily due to:

- impairment on associates and joint ventures recorded by the Group amounting to AED 18.7 million for the six month period ended 30 June 2013, as compared to AED 400.0 million for the six month period ended 30 June 2012, resulting in a net decrease of AED 381.3 million; and
- impairment losses on loans and receivables including Islamic financing and investment products (arising from a banking subsidiary) recorded by the Group amounting to AED 1,748.4 million for the six month period ended 30 June 2013, as compared to AED 1,981.2 million for the six month period ended 30 June 2012, resulting in a net decrease of AED 232.8 million.

The decrease in net impairment losses on financial assets for the six month period ended 30 June 2013 was partially offset by increased impairment losses on available-for-sale securities. The net impairment losses on available-for-sale securities were AED 225.6 million higher as compared to the six month period ended 30 June 2012.

### ***Profit before income tax from continuing operations***

The Group's profit before income tax from continuing operations for the year ended 31 December 2012 was AED 17.4 billion as compared to profit before income tax from continuing operations of AED 17.2 billion for the year ended 31 December 2011, which represents an increase of 1.1 per cent., or AED 192.8 million. This increase was primarily due to an increase in revenue and other income and a decrease in net impairment losses on financial assets, offset in part by an increase in the cost of revenue and general, administrative and other expenses. The Group's operating margin decreased to 10.8 per cent. for the year ended 31 December 2012 as compared to operating margin of 12.1 per cent. for the year ended 31 December 2011.

The Group's profit before income tax from continuing operations for the six month period ended 30 June 2013 was AED 8.5 billion as compared to profit before income tax from continuing operations of AED 9.0 billion for the six month period ended 30 June 2012, which represents a decrease of 4.6 per cent., or AED 410.9 million. This decrease was primarily due to an increase in the cost of revenue, decrease in other income, higher general and administration expenses and higher finance costs. This was partly offset by an increase in revenue and a decrease in net impairment losses on financial assets. The Group's operating margin decreased to 9.4 per cent for the six month period ended 30 June 2013 as compared to operating margin of 11.6 per cent for the six month period ended 30 June 2012.

Operating margin is a non-GAAP measure (see "*Presentation of Financial and Other Information – Non-GAAP Measures*").

### ***Income tax expense***

A significant part of the Group's operations are carried out within the UAE and presently the Group's operations in the UAE are not subject to corporation tax. The primary contributors to the Group's tax expenses (AED 412.6 million, AED 440.7 million, AED 976.4 million and AED 992.9 million for the six month periods ended 30 June 2013 and 2012 and the years ended 31 December 2012 and 2011, respectively) are the Group's operations in Turkmenistan and Singapore which are not covered by double taxation avoidance agreements. Although the Group has operations in a number of other tax jurisdictions, it has secured tax exemptions by virtue of double taxation agreements and reciprocal arrangements in most such jurisdictions.

### ***Profit from discontinued operations***

The Group's profit from discontinued operations for the year ended 31 December 2012 was AED 33.0 million as compared to profit from discontinued operations of AED 679.9 million for the year ended 31 December 2011, which represents a decrease of 95.1 per cent., or AED 646.9 million. This decrease was primarily attributable to the profit for the period from DREC for the period from 1 January 2011 until its transfer from ICD to H.H. The Ruler of Dubai in June 2011.

### ***Profit for the period***

In addition to the factors described above:

*For the years ended 31 December 2012 and 2011*

- the Group's gains on disposals of stakes in indirect subsidiaries and/or fair value gains on retained interests in joint ventures decreased by 99.6 per cent. from AED 1.8 billion in the year ended 31 December 2011 to AED 6.8 million in the year ended 31 December 2012, primarily due to the sale by one of the Group's subsidiaries of a 49 per cent. shareholding in Network International LLC in March 2011 for a net consideration of AED 1,366 million; and
- the Group's other finance costs increased by 18.2 per cent. from AED 2.2 billion in the year ended 31 December 2011 to AED 2.6 billion in the year ended 31 December 2012, primarily due to an increase in the finance charges on finance leases and hire purchase contracts.

Reflecting the above factors, the Group made a profit of AED 16.5 billion for the year ended 31 December 2012 as compared to a profit of AED 16.9 billion for the year ended 31 December 2011, which represents a decrease of 2.6 per cent., or AED 437.6 million.

*For the six month period ended 30 June 2013 and 2012*

The Group's other finance costs increased by 63.6 per cent. from AED 1.1 billion in the six month period ended 30 June 2012 to AED 1.8 billion in the six month period ended 30 June 2013 primarily due to a newly acquired entity and finance costs associated with the operations of DDF. In addition, Emirates' finance costs during the six month period ended 30 June 2013 were higher as compared to the six month period ended 30 June 2012 because of higher charges on finance leases.

Reflecting the above factors, the Group made a profit of AED 8.1 billion for the six month period ended 30 June 2013 as compared to a profit of AED 8.5 billion for the six month period ended 30 June 2012, which represents a decrease of 4.5 per cent., or AED 382.9 million.

## Liquidity and Borrowings

### Cash Flow

The following table sets forth components of the Group's consolidated cash flow statement for the reporting periods indicated:

	Six month period ended 30 June (unaudited)		Year ended 31 December	
	2013	2012	2012	2011
	(AED'000)			
Net cash generated from operating activities .....	1,111,227	12,428,076	23,664,604	28,892,162
Net cash used in investing activities .....	(22,337,981)	(2,588,298)	(17,943,908)	(5,822,527)
Net cash generated from/(used in) financing activities .....	13,606,695	(2,014,303)	(3,108,716)	(23,468,235)
Net (decrease)/increase in cash and cash equivalents .....	(7,620,059)	7,825,475	2,611,980	(398,600)
Cash and cash equivalents at the beginning of the period/year .....	12,990,394	9,051,468	9,051,468	8,556,078
<b>Cash and cash equivalents at the end of the period/year</b>	<b>9,436,542</b>	<b>18,225,889</b>	<b>12,990,394</b>	<b>9,051,468</b>

*Net cash generated from operating activities.* Net cash generated from operating activities for the year ended 31 December 2012 was AED 23.7 billion as compared to net cash generated from operating activities of AED 28.9 billion for the year ended 31 December 2011, which represents a decrease of AED 5.2 billion or 18.0 per cent. Net cash generated from operating activities for the six month period ended 30 June 2013 was AED 1.1 billion as compared to net cash generated from operating activities of AED 12.4 billion for the six month period ended 30 June 2012, which represents a decrease of AED 11.3 billion or 91.1 per cent.

*Net cash used in investing activities.* Net cash used in investing activities for the year ended 31 December 2012 was AED 17.9 billion as compared to net cash used in investing activities of AED 5.8 billion for the year ended 31 December 2011, which represents an increase of AED 12.1 billion or 208.6 per cent. Net cash used in investing activities for the six month period ended 30 June 2013 was AED 22.3 billion as compared to net cash used in investing activities of AED 2.6 billion for the six month period ended 30 June 2012, which represents an increase of AED 19.7 billion or 757.7 per cent.

*Net cash generated from/(used in) financing activities.* Net cash used in financing activities for the year ended 31 December 2012 was AED 3.1 billion as compared to net cash used in financing activities of AED 23.5 billion for the year ended 31 December 2011, which represents a decrease of AED 20.4 billion or 86.8 per cent. Net cash generated from financing activities for the six month period ended 30 June 2013 was AED 13.6 billion as compared to net cash used in financing activities of AED 2.0 billion for the six month period ended 30 June 2012 (no net cash was generated over this period), which represents an increase in net cash generated of AED 15.6 billion.

In addition to the above, in 2012 the Group acquired cash and cash equivalents of AED 1.3 billion on transfer of entities and business combinations. As a result, as at 31 December 2012, the Group had cash and cash equivalents of AED 13.0 billion as compared to cash and cash equivalents of AED 9.1 billion as at 31 December 2011, which represents an increase of AED 3.9 billion, or 42.9 per cent. As at 30 June 2013, the Group had cash and cash equivalents of AED 9.4 billion as compared to cash and cash equivalents of AED 18.2 billion as at 30 June 2012, which represents a decrease of AED 8.8 billion or 48.4 per cent.

### Material Indebtedness

The Group recognises borrowings at fair value (net of transaction costs incurred). Borrowings are subsequently stated at amortised cost and are classified as current liabilities unless the Group has an unconditional right to defer settlement of the relevant liability for at least 12 months after the reporting date (as may be provided for in the relevant finance documents).



The following is a summary of the Group's outstanding material indebtedness as at 30 June 2013:

- syndicated facilities amounting to AED 12.1 billion from various financial institutions repayable over the period up to 2024;
- term loans amounting to AED 26.1 billion from various financial institutions repayable over the period up to 2025;
- bilateral facilities amounting to AED 4.6 billion from various financial institutions repayable over the period up to 2017;
- debt issues and other borrowed funds pertaining to banking operations of the Group include borrowings raised from loan securitisations and medium term note programmes amounting to AED 3.1 billion and AED 14.6 billion respectively. Medium term notes are repayable over the period up to 2023;
- Eurobonds and sukuk denominated in USD amounting to AED 14.9 billion repayable over the period up to 2025;
- AED denominated bonds totalling AED 6.7 billion, comprising a *Shari'a*-compliant open ended investment fund of AED 4.9 billion and AED 1.8 billion of bonds with repayment due in July 2013. These bonds were repaid on schedule;
- finance lease liabilities amounting to AED 29.0 billion primarily arising from the Group's transportation and related services. The finance lease liabilities are secured on aircraft and aircraft related assets;
- amounts due to banks totalling AED 29.7 billion primarily comprised of balances with correspondent banks and time and other deposits received by the Group's banking operations from other banks; and
- Group borrowings from the Dubai Department of Finance and the UAE Ministry of Finance for purposes designated by the respective agencies, totalling AED 14.2 billion repayable over the period up to 2015.

As at 30 June 2013, ICD had outstanding bank indebtedness of AED 13,103 million (at the ICD level only). The Government has not provided any guarantees and does not have any other contingent liabilities in respect of this indebtedness.

As at 30 April 2014, ICD's outstanding bank indebtedness that is due to mature in 2016, 2017 and 2018 is AED 3,245 million, AED 857 million and AED 9,368 million respectively.

### **Related Party Transactions**

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 entities include various utility companies, port authorities and financial institutions.

In accordance with the exemption in the revised IAS 24, the Group does not disclose transactions which are entered into in the normal course of business with the Government and the entities that are related parties even though the Government has control, joint control or significant influence over them.

*Transactions with related parties included in the consolidated income statement for the reporting periods indicated*

<b>Six month period ended 30 June 2013 (unaudited)</b>					
	<b>Purchase of goods and services</b>	<b>Sale of goods and services</b>	<b>Finance income</b>	<b>Finance costs</b>	<b>Fee and commission income</b>
			<i>(AED'000)</i>		
Associates and joint ventures .....	3,930,191	3,943,770	188,852	52,094	—
Government, Ministry of Finance and other related parties.....	212,737	552,288	52,753	356,037	27,924

<b>Six month period ended 30 June 2012 (unaudited)</b>					
	<b>Purchase of goods and services</b>	<b>Sale of goods and services</b>	<b>Finance income</b>	<b>Finance costs</b>	<b>Fee and commission income</b>
			<i>(AED'000)</i>		
Associates and joint ventures .....	3,804,227	4,027,750	123,090	47,656	—
Government, Ministry of Finance and other related parties.....	97,139	2,623,728	73,619	352,141	5,247

<b>Year ended 31 December 2012</b>					
	<b>Purchase of goods and services</b>	<b>Sale of goods and services</b>	<b>Finance income</b>	<b>Finance costs</b>	<b>Fee and commission income</b>
			<i>(AED'000)</i>		
Associates and joint ventures .....	7,777,736	7,463,408	214,594	87,617	—
Other related parties.....	230,263	1,042,084	164,945	738,999	46,364

<b>Year ended 31 December 2011</b>					
	<b>Purchase of goods and services</b>	<b>Sale of goods and services</b>	<b>Finance income</b>	<b>Finance costs</b>	<b>Fee and commission income</b>
			<i>(AED'000)</i>		
Associates and joint ventures .....	7,348,554	7,058,843	178,048	88,911	—
Other related parties.....	682,624	3,910,486	273,130	802,858	50,425

In addition to the above, in 2011, a subsidiary of the Group 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 1.1 billion. With effect from 31 December 2012, the subsidiary entered into an additional asset purchase agreement with the related party to sell certain additional assets with a net carrying value amounting to AED 843.8 million.

*Amounts from and due to related parties as at the reporting dates indicated*

	<b>As at 30 June 2013 (unaudited)</b>		<b>As at 30 June 2012 (unaudited)<sup>(1)</sup></b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
	<i>(AED'000)</i>			
Associates and joint ventures .....	10,183,966	4,601,930	7,089,366	3,599,211
Government, Ministry of Finance and other related parties.....	103,231,763	21,396,967	84,660,205	30,109,898
	<b>113,415,729</b>	<b>25,998,897</b>	<b>91,749,571</b>	<b>33,709,109</b>

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

	<b>As at 31 December 2012</b>		<b>As at 31 December 2011</b>	
	<b>Receivables</b>	<b>Payables</b>	<b>Receivables</b>	<b>Payables</b>
	<i>(AED'000)</i>			
Associates and joint ventures .....	11,807,925	4,616,422	6,855,149	2,664,040
Government, Ministry of Finance and other related parties.....	96,146,799	29,917,575	79,414,875	31,454,196
	<b>107,954,724</b>	<b>34,533,997</b>	<b>86,270,024</b>	<b>34,118,236</b>

### **Off-Balance Sheet Arrangements**

The Group has certain material off-balance sheet arrangements that may have a material current or future effect on its financial condition, revenue, expenses, results of operations, liquidity, capital expenditure or capital resources.

### **Investment commitments**

The Group had the following investment commitments as at the reporting dates indicated:

	<b>As at 30 June (unaudited)</b>		<b>As at 31 December</b>	
	<b>2013</b>	<b>2012<sup>(1)</sup></b>	<b>2012</b>	<b>2011</b>
	<i>(AED'000)</i>			
Available-for-sale investments.....	670,394	819,957	728,058	801,471
Group's share of investment commitments in associates.....	46,547	132,410	41,270	60,031
Group's share of investment commitments in joint ventures.....	1,145,667	11,301,888	4,845,869	6,441,326
Others.....	282,563	311,779	300,754	315,638
	<b>2,145,171</b>	<b>12,566,034</b>	<b>5,915,951</b>	<b>7,618,466</b>

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

## Operating lease commitments

### Group as lessee

The following future minimum rentals were payable by the Group under non-cancellable operating leases as at the reporting dates indicated:

	As at 30 June (unaudited)		As at 31 December	
	2013	2012 <sup>(1)</sup>	2012	2011
	(AED'000)			
Within one year.....	6,775,767	5,767,424	6,670,162	5,653,042
After one year but not more than five years.....	22,014,723	20,132,310	22,499,852	19,670,432
More than five years.....	15,514,434	12,488,264	16,737,202	12,562,589
	<b>44,304,924</b>	<b>38,387,998</b>	<b>45,907,216</b>	<b>37,886,063</b>

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

### Group as lessor

The Group has entered into commercial property leases on its portfolio of properties, consisting of the Group's investment properties. The following future minimum rentals were receivable by the Group as at the reporting dates indicated:

	As at 30 June (unaudited)		As at 31 December	
	2013	2012 <sup>(1)</sup>	2012	2011
	(AED'000)			
Within one year.....	1,649,748	921,607	1,901,309	878,060
After one year but not more than five years.....	2,972,668	1,506,839	4,829,358	1,571,082
More than five years.....	1,248,827	532,475	1,267,069	567,580
	<b>5,871,243</b>	<b>2,960,921</b>	<b>7,997,736</b>	<b>3,016,722</b>

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

## Capital commitments

The Group's capital expenditure contracted for or estimated but not provided for as at the reporting dates indicated were:

	As at 30 June (unaudited)		As at 31 December	
	2013	2012 <sup>(1)</sup>	2012	2011
	(AED'000)			
<i>Capital commitments for purchase of aircraft fleet</i>				
Up to one year.....	18,893,457	23,706,012	14,236,351	18,203,454
Two to five years.....	75,874,363	93,009,280	91,236,797	76,966,255

	As at 30 June (unaudited)		As at 31 December	
	2013	2012 <sup>(1)</sup>	2012	2011
	(AED'000)			
Above five years .....	46,601,492	60,646,257	47,080,206	69,086,863
	141,369,312	177,361,549	152,553,354	164,256,572
Commitment for purchase of other property, plant and equipment .....	10,711,893	6,163,256	9,398,821	6,632,576
Authorised but not contracted commitment relating to other property, plant and equipment .....	5,426,380	3,621,245	3,458,533	2,311,217
Group's share of associate and joint venture companies' expenditure commitments .....	3,966,198	5,871,284	4,765,802	5,448,072
	<b>161,473,783</b>	<b>193,017,334</b>	<b>170,176,510</b>	<b>178,648,437</b>

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

### Contingencies

The Group had the following contingent liabilities as at the reporting dates indicated:

	As at 30 June (unaudited)		As at 31 December	
	2013	2012 <sup>(1)</sup>	2012	2011
	(AED'000)			
Letters of credit .....	9,572,504	8,833,985	7,149,301	7,274,382
Letters of guarantee.....	52,066,491	37,651,015	39,726,919	37,061,035
Liabilities on risk participation .....	3,081,671	2,889,580	2,270,080	2,449,906
Performance bonds.....	82,038	496,958	102,580	15,296
Group's share of guarantees in associates and joint ventures.....	4,126,622	4,336,322	4,187,311	4,248,891
Group's share of letter of credit in associates and joint ventures.....	1,286,885	984,928	977,522	1,046,882
Third party claim .....	631,375	499,534	633,639	523,202
Acceptances .....	995,968	995,968	995,968	995,968

(1) Financial information as at 30 June 2012 in this table has been extracted from the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012.

The increase in letters of guarantee from AED 39,727 million as at 31 December 2012 to AED 52,066 million as at 30 June 2013 is primarily attributable to an increase during the six month period ended 30 June 2013 of guarantees issued by ENBD and one of ICD's subsidiaries engaged in industrial manufacturing respectively.

For further information in respect of the Group's commitments and contingencies, including in respect of assets held under fiduciary capacity, operational commitments and irrevocable loan commitments, see note 38 of the 2012 Financial Statements and note 19 of the 2013 Interim Financial Statements.

## **Significant Accounting Judgments, Estimates and Assumptions**

In preparing its financial statements, ICD's management is required to make certain accounting judgments, estimates and assumptions (for example, in respect of, *inter alia*, classifications of investments, fair values of financial instruments, depreciation and impairment allowances). These judgments, estimates and assumptions affect the reported amounts of the Group's assets and liabilities at the date of the financial statements and the reported amounts of the Group's revenue and cost of revenue during the years and periods presented. ICD's management evaluates these judgments, estimates and assumptions on an ongoing basis on the basis of historical experience and various other factors that ICD's management believes to be reasonable at the time such judgments, estimates and assumptions are made. However, future events and their effects cannot be predicted with absolute certainty. Therefore, actual results may differ from these estimates and assumptions under different circumstances or conditions, and such differences may be material to the financial statements. A summary of the Group's significant accounting policies and significant accounting judgements, estimates and assumptions is contained in notes 2.5 and 2.6 to the 2012 Financial Statements.

## **Qualitative Disclosures about Financial Risk Management**

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk, each of which is summarised below. ICD manages these risks through a risk management framework under the overall oversight of the Board. The boards of directors of each of ICD's subsidiaries are responsible for the establishment and oversight of the risk management frameworks of their respective entities, identifying and analysing the risks in the operations of their respective businesses and forming appropriate risk management committees to mitigate the risks of such businesses within the overall risk management framework of the Group. For a detailed discussion of the Group's financial risk management framework, see note 40 of the 2012 Financial Statements.

### ***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, mainly 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) and cash at bank.

The Group manages its exposure to credit risk on Islamic financing and investment products, loans and receivables, trade and other receivables (including amounts due from related parties) by monitoring these on an ongoing basis (through the managements of the respective subsidiaries). The Group's cash is placed with banks it believes to be reputable.

### ***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 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.

### ***Market Risk***

Market risk is the risk that changes in market prices, such as equity prices, commodity prices, interest rates and foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. For instance, for the year ended 31 December 2012, a decrease of 1 per cent. in market interest rates applicable to all the currencies in which the Group's non-banking operations have borrowings would have resulted in an increase of AED 194.3 million in the Group's profit before tax.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group manages market risk in the following manner:

- 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 boards of directors or other appropriate authorities of the respective subsidiaries. For the year ended 31 December 2012, a 5.0 per cent. increase in equity prices would have increased the value of the Group's quoted securities by AED 171.8 million as compared to an increase in the Group's quoted securities of AED 164.5 million for the year ended 31 December 2011;
- subsidiaries which are exposed to price risk on commodities manage their exposure by use of commodity derivative instruments;
- subsidiaries manage their interest rate risk by entering into various interest rate swap contracts; and
- in respect of monetary assets and liabilities denominated in U.S. dollars, there is no exchange risk involved presently since the dirham is pegged to the U.S. dollar. However, significant transactions of the Group are also denominated in other currencies. 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.

## RELATIONSHIP WITH THE GOVERNMENT

### INTRODUCTION

ICD is the principal investment arm of the Government. It was incorporated on 3 May 2006 pursuant to a decree of H.H. The Ruler of Dubai (*Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*) and mandated by such decree to, among other things, consolidate and manage the Government's portfolio of companies and investments. A number of these assets are considered to be strategic investments that are essential platforms for the future growth and long-term success of Dubai.

ICD is wholly-owned by the Government which, pursuant to a decree of H.H. The Ruler of Dubai (*Decree No. 17 Forming the Board of Directors of the Investment Corporation of Dubai*), appointed, in November 2012, all members of the current Board, as well as the Chief Executive Officer of ICD, each for a term of three years. The Chairman of the Board is H.H. Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE and The Ruler of Dubai. Certain members of the Board include senior officials of the Government (see "*Management*").

Any change to the Government's 100 per cent. ownership in ICD, and any change to the Board, requires a decree issued by H.H. The Ruler of Dubai.

ICD has a strong relationship with the Government, which is described as follows.

### ICD'S ROLE IN DUBAI'S DEVELOPMENT STRATEGY

ICD plays a fundamental role in implementing the Government's development strategy for Dubai (in particular, Dubai's economic development strategy) and this forms the basis of ICD's investment strategy (see "*Description of ICD and the Group – Investment Strategy*").

#### Dubai's Development Strategy

In 2007, the Government adopted a set of guiding principles for the various sectors that comprise the Dubai Strategic Plan 2015 (the **DSP 2015**), which establishes a common framework for the implementation of medium to long-term policies driving Dubai's economic, social and infrastructure development (see further "*Overview of the United Arab Emirates and the Emirate of Dubai – Strategy of Dubai*").

The DSP 2015 focuses on the following core areas:

- economic development;
- social development;
- security, justice and safety;
- infrastructure, land and development; and
- government excellence.

#### Dubai's Economic Development

In terms of economic development, the two key components of the DSP 2015's goals for Dubai are:

- diversification of the economy of Dubai whilst maintaining focus on high value-added sectors that can boost overall economic growth; and



- transforming Dubai into a hub of business excellence by raising the productivity of economic sectors and maintaining high production quality standards.

The DSP 2015 envisages that future economic growth will be focused on the following six sectors: travel and tourism; financial services; professional services; transport and logistics; trade and storage; and construction.

In addition, the Medium Term Economic Plan (as defined below in "*Overview of the United Arab Emirates and the Emirate of Dubai – Strategy of Dubai*") is designed to achieve key economic policy objectives that include promoting job opportunities for nationals in the private sector, deepening and strengthening the financial system, consolidating the real estate and construction sectors, fostering trade, sustaining Dubai as the leading transportation and logistics hub in the region, helping manufacturing towards further development and maintaining a leading position as a global luxury tourism destination.

### **ICD's Role in Dubai's Economic Development**

ICD plays a significant part in enabling the Government to achieve its economic development goals for Dubai. Through its investment operations, ICD contributes to the diversification of Dubai's industries and the promotion of growth within, and synergies across, such industries in order to develop a strong and sustainable multi-sector driven economy and stimulate private sector growth. ICD's contribution in this respect is illustrated principally by the investment portfolio companies which it oversees and which span a number of different sectors and industries (namely, financial services, transportation, energy, industrial, real estate and hospitality and retail trade), all of which are important to the Government's development strategy for Dubai. Each of these sectors, which the Government has chosen to invest in on a commercial basis (initially directly, and subsequently indirectly after the establishment of ICD), has provided, and is expected to continue to provide, growth opportunities for the Dubai economy. Further, such investments promote economic stability and prevent the Dubai economy's dependence on specific sectors or companies (see also "*Description of ICD and the Group – Business Strengths – Diversified Portfolio of Assets*").

Although ICD has autonomy in the selection of individual projects in which to invest, generally, projects, partnerships and joint ventures that ICD undertakes are aimed at implementing the Government's development strategy in a commercial and profitable manner. In this respect, see also "*Funding, Support and Oversight from the Government – Management Autonomy*" below.

## **FUNDING, SUPPORT AND OVERSIGHT FROM THE GOVERNMENT**

### **Contributions from the Government**

Upon ICD's incorporation, the Government's portfolio of companies was transferred to ICD from the Dubai Department of Finance's Investment Division, initially consisting of, among others, Emirates Bank International (now Emirates NBD PJSC), Dubai Aluminium, Emirates National Oil Company Limited (ENOC) LLC, Dubai World Trade Centre Corporation, Emirates, dnata, Dubai Islamic Bank PJSC and Emaar Properties PJSC.

The Government has not, to date, provided any financial support to ICD. The Government has made non-monetary contributions to ICD from time to time, primarily in the form of land grants (see further "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Capital*" and "*Operating and Financial Review – Factors Affecting Results of Continuing Operations – Government Grants*").

ICD does not automatically receive contributions (monetary or otherwise) from the Government and ICD has not, to date, sought any such contributions from the Government. ICD is self-funding and its requirements are typically met by funds raised by ICD itself through revenues (dividends) generated by and received from its portfolio companies or through third party debt (bank) financing that it has obtained for its own account. ICD's approach to funding is to be self-sustaining (see "*Description of ICD and the Group – Funding*").

Accordingly, there is no specific budget to determine the amount of funding ICD receives from (or is required to pay to) the Government. In addition, as a financially independent entity for the purposes of *Dubai Law No. 35 of 2009 Concerning the Management of the Public Assets of the Government of Dubai (Dubai Law 35 of 2009)*, issued by H.H. The Ruler of Dubai in December 2009, ICD is not a recipient of the Government's annual budget allocations.

Dubai Law 35 of 2009 also provides that all financially independent (as defined in such law) Government departments, authorities and entities must transfer their surplus annual revenues to ICD for ICD to manage, however, ICD only manages such surplus amounts on behalf of the Government, and such amounts are not received by ICD for its own account.

To date, ICD has neither received nor requested any payments, budget allocations or other financial support from the Government pursuant to Dubai Law 35 of 2009 or otherwise.

### **Government Oversight**

ICD is annually audited by the Government's Financial Audit Department (the **GFAD**), which audits any company in which the Government owns a 25.0 per cent. or greater stake in accordance with *Dubai Law No. 8 of 2010 Regarding Financial Audit Department*. The audit by GFAD includes:

- *Financial Audit*: ascertaining the extent of compliance and adequacy of ICD's financial operations with applicable laws, systems and procedures;
- *Performance Audit*: review of the efficiency, effectiveness and economy in the execution of tasks and mandated activities set out in ICD's establishment laws, contracts and internal procedures; and
- *Information Systems*: assessing the performance and efficiency of ICD's information technology (**IT**) department and the adequacy of ICD's IT risk management procedures.

### **Distributions to the Government**

ICD, from time to time, makes distributions of dividends to the Government. ICD is not obliged to distribute any dividends to the Government and any such distributions are decided by the Board at its sole discretion. Typically, such distributions are made by the Board having: (i) considered the best interests of ICD and the Group as a whole; (ii) applied its investment and other income towards, among other things, payment of interest and maturing debt liabilities; and (iii) budgeted for a retention of certain of its income for future investment purposes and for ICD's own general corporate purposes, see "*Risk Factors – ICD may be required to make distributions to its owner, the Government*".

In addition, by mutual agreement between ICD and the Government, ICD contributes a portion of its annual revenue towards the Government's annual budget, such amount being agreed between ICD and the Government prior to publication of each budget. ICD is, and has been to date, the only financially independent (as defined in Dubai Law 35 of 2009) entity to make annual revenue contributions to the Government's annual budget. ICD's contribution towards the Government's budget for the years ended 2011 and 2012 were AED 1,375 million and AED 1,314 million respectively.

### **Management Autonomy**

ICD generally maintains autonomy from the Government in the operation of its business and management of its portfolio investments. As in other corporations, the Board has general oversight over all of ICD's activities, whilst day to day operations are managed by ICD's senior management team (see "*Management*"). ICD's investment process is operated entirely through its internal management committees (see "*Description of ICD and the Group – Investment Strategy*").

From time to time, however, the Government may intervene in ICD's operations in order to fulfil particular strategic objectives of the Government. Notably, on 16 June 2011, H.H. The Ruler of Dubai issued *Law No. 11 of 2011 Amending Law No. 14 of 2007 Establishing Dubai Real Estate Corporation*, which divested ICD of its stake in DREC. From the date of issuance of this law, DREC came under the direct control of H.H. The Ruler of Dubai and accordingly ceased to be controlled by ICD. This was treated as a return of capital to the Government during 2011 based on the carrying value of such investment at the date of cessation of ICD's control over DREC amounting to AED 160.253 billion (see note 12 to the 2011 Financial Statements). In addition, in June 2009, the Government provided an AED 4 billion capital injection to ENBD by providing funds to ICD to fund ICD's purchase of AED 4 billion of mandatory convertible Tier 1 debt securities issued by ENBD. The capital injection was in order to help ENBD satisfy the regulatory capital requirements of the UAE Central Bank.

## DESCRIPTION OF ICD AND THE GROUP

### INTRODUCTION

ICD was incorporated on 3 May 2006 pursuant to a decree of H.H. The Ruler of Dubai (*Law No. 11 of 2006 Establishing the Investment Corporation of Dubai*). ICD is directly and wholly-owned by, and is the principal investment arm of, the Government. As per its incorporating decree, ICD's mandate, which is underpinned by an overriding objective of supporting the long-term economic growth of Dubai, is to:

- consolidate and manage the existing portfolio of companies and investments of the Government;
- provide strategic oversight of the portfolio by developing and implementing best-in-class corporate governance policies and a transparent investment strategy, which takes into consideration opportunities to monetise portfolio assets (for example, through initial public offerings), in order to enhance portfolio returns; and
- efficiently deploy and recycle surplus capital by making new investments, both locally and internationally, focused on targeting asset classes and investment opportunities that provide strong, long-term risk-adjusted returns.

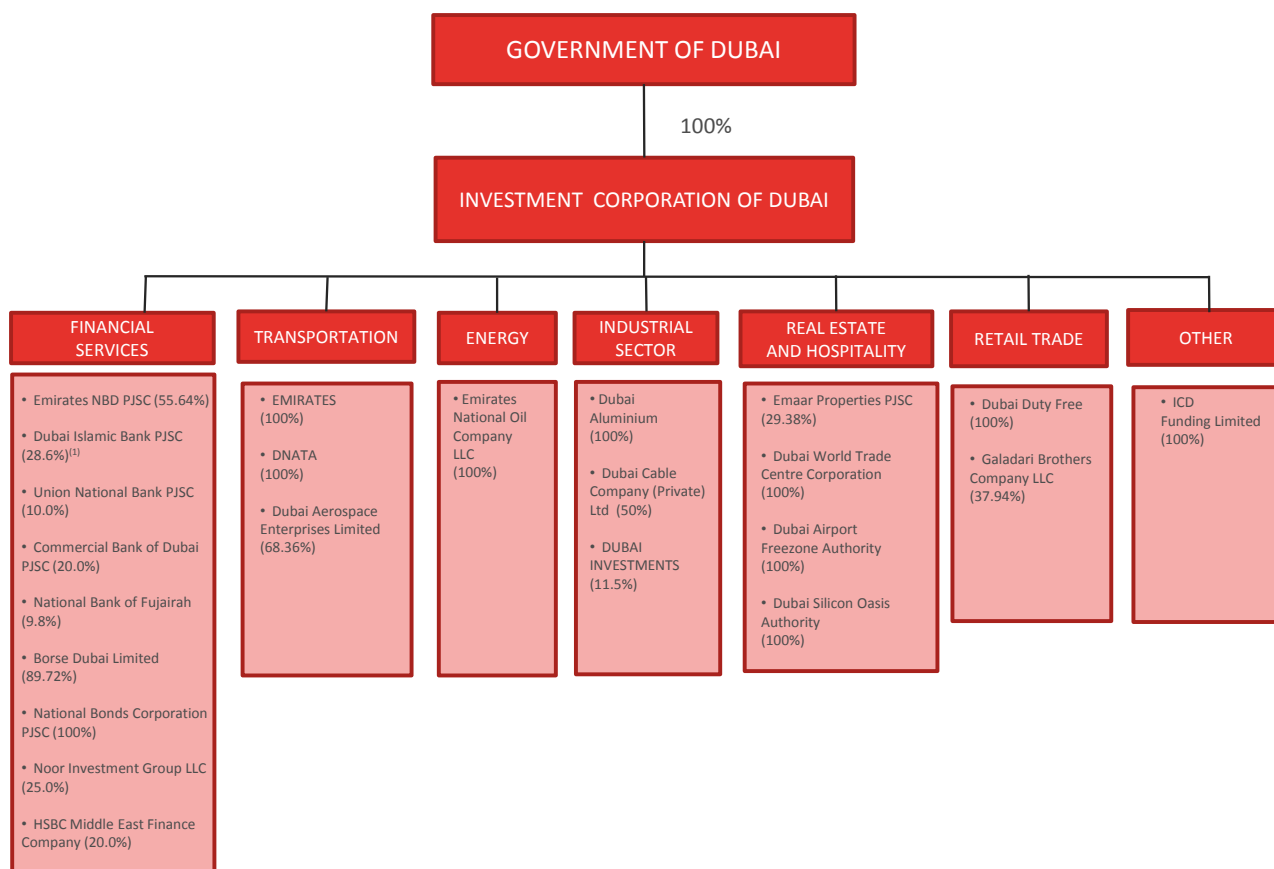
ICD's investment portfolio represents a cross-section of Dubai's most recognised and significant companies in sectors which the Government has deemed to be strategic for the continued development and growth of Dubai and the UAE (see "*Investment Strategy – Sector Diversity*" and "*Subsidiaries, Associates and Joint Ventures – Significant Holdings*").

As at 30 June 2013, the Group had total assets of AED 586.8 billion (U.S.\$159.8 billion) with an equity value of AED 153.0 billion (U.S.\$41.7 billion). The Group generated AED 91.2 billion (U.S.\$24.8 billion) and AED 8.1 billion (U.S.\$2.2 billion) of revenue and net income respectively for the six month period ended 30 June 2013 and AED 77.3 billion (U.S.\$21.0 billion) and AED 8.5 billion (U.S.\$2.3 billion) of revenue and net income respectively for the six month period ended 30 June 2012.

ICD's registered office is at Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE and its telephone number is +971 4 707 1333.

### GROUP STRUCTURE

The following chart provides an overview of the corporate structure of the Group and ICD's ownership interests in its principal portfolio companies as at 30 June 2013.



**Note:**

(1) ICD's ownership interest in Dubai Islamic Bank PJSC as at 15 August 2013 (*source: www.dib.ae/investor-relations/company-information/ownership*).

**OPERATING MODEL**

ICD has developed and adheres to a long-term strategy of building and maintaining a diversified portfolio of high-quality, commercially viable, growth-oriented companies and similar strategic investments have been developed and implemented with a view to optimising ICD's return on equity and ensuring the continued growth and long-term prosperity of the Dubai economy.

As an investment company, ICD's operating model is dependent on the portfolio of companies in which it invests. ICD's principal sources of income are dividend income received from its portfolio companies, profits on disposals and supplementary investment returns.

For the year ended 31 December 2012, ICD received AED 3,658 million (U.S.\$996 million) of dividend distributions from its portfolio companies, of which 48 per cent. was received from ENBD and DUBAL. For the year ended 31 December 2011, ICD received AED 4,939 million (U.S.\$1,345 million) of dividend distributions from its portfolio companies, of which 50 per cent. was received from DDF, ENBD and DREC.

ICD's portfolio companies are not generally obliged to declare periodic dividends. However, ICD may, depending on its ownership stake in a particular portfolio company, direct such portfolio company to make dividend distributions to ICD in order to meet its funding needs and/or for its general corporate purposes. However, ICD does not typically provide such directions. See also "*Business Strengths – Diversified Portfolio of Assets*", "*Investment Strategy*" and "*Subsidiaries, Associates and Joint Ventures*" below.

## BUSINESS STRENGTHS

### ICD's Relationship with the Government

ICD has strong relationships with the Government and other Government controlled entities. ICD was incorporated by a decree of H.H. The Ruler of Dubai and mandated as the principal investment arm of the Government to, among other things, consolidate and manage the Government's portfolio of companies and investments. A number of assets in ICD's portfolio are strategic investments that are platforms for the future growth of Dubai and essential for the long-term prosperity of Dubai and the UAE. For further information, see "*Relationship with the Government*" and "*Management*".

### Diversified Portfolio of Assets

ICD's current portfolio represents a number of Dubai's largest, most profitable and internationally recognised companies which together provide a high degree of diversification across a number of industries (see "*Investment Strategy – Sector Diversity*" and "*Subsidiaries, Associates and Joint Ventures – Significant Holdings*") and which contribute to and sustain ICD's dividend income and portfolio growth (see "*Operating Model*").

ICD's principal portfolio companies are characterised by:

- *Established track-record and sustainable organic growth:* ICD's portfolio companies have built strong reputations and have established track-records of growing their businesses largely organically. For instance, Emirates increased the size of its fleet from two aircraft in 1985 to 197 aircraft as at 31 March 2013 (*source: Emirates Group Annual Report 2012-2013*), DUBAL grew its smelter capacity from 135 kilo tonnes per annum in 1980 to over 1,000 kilo tonnes per annum by 2013 (*source: www.dubal.ae/who-we-are/our-history/a-30-year-heritage*) and Emaar has become the largest publicly listed property developer in the MENA region, having delivered over 37,350 residential units since 2001 (*source: Emaar Corporate Presentation, 10 March 2014*). Furthermore, many of ICD's portfolio companies, including Emirates, DUBAL and Emaar, were established as start-ups by the Government and are commercially self-sustaining, growing organically through expansion funded by their own profits, cash reserves and independently sourced arms-length funding from commercial lenders and investors based on such company's standalone creditworthiness (rather than being reliant on financial support provided by the Government or other Government related entities);
- *Global competitiveness:* Several of ICD's portfolio companies have a significant global footprint despite each participating in a globally competitive environment. For instance, DUBAL operates one of the largest single-site smelting facilities in the world and has the capacity to produce more than one million metric tonnes of high quality aluminium products per year (*source: www.dubal.ae/who-we-are/our-corporate-profile*). This is also the case for those companies that initially focused on developing their presence in the UAE market but have since been increasing their international operations. For example, Emaar's international land bank now includes approximately 226 million square metres across India, Saudi Arabia, Morocco, Pakistan, Syria, Turkey, Egypt and Jordan as at 30 September 2013 (*source: Emaar Corporate Presentation, 10 March 2014*);
- *Leading market position:* The industries in which ICD's portfolio companies operate are highly competitive (see "*Risk Factors – Risks Relating to ICD – Risks relating to ICD's investment activities – The industries in which the Group operates are highly competitive*"). Despite this, several of ICD's portfolio companies are market leaders in their respective sectors. For instance, Emirates has capitalised on Dubai's location, an otherwise underserved region, to develop Dubai into a hub for connecting Europe, Africa and Asia and has become, according to the International Air Transport Authority World Air Transport Statistics, the world's leading airline in terms of international passenger flights as measured in revenue passenger kilometres (*source: IATA World Air Transport Statistics, 57th edition*). Additionally, DDF was one of the largest airport retailers in the world in terms of turnover with annual sales turnover of AED 6.7 billion in 2013 (*source:*

[www.dubaidutyfree.com/about/about\\_ddf](http://www.dubaidutyfree.com/about/about_ddf)), ENBD is the largest bank in the UAE and one of the largest banks in the GCC when measured by asset size and Emaar is the largest publicly listed property developer in the MENA region (*source: Emaar Corporate Presentation, 10 March 2014*);

- **Robust revenues:** ICD's portfolio companies have a robust and growing revenue profile. This is illustrated by, among others, DDF which has achieved consistent year on year growth since its establishment. Most recently, for the year ended 31 December 2013, DDF's revenues increased by 11.4 per cent. (as compared against the same period in 2012) to AED 6.7 billion (*source: www.dubaidutyfree.com/about/about\_ddf*). ICD's consolidated revenues for the six month period ended 30 June 2013 were AED 91.2 billion (U.S.\$24.8 billion), compared to AED 77.3 billion (U.S.\$21.0 billion) for the six month period ended 30 June 2012;
- **Strong management:** ICD's portfolio companies benefit from experienced boards of directors and senior management teams, who have contributed to the success and growth of these companies. For instance, the chairman and chief executive officer of DDF have been with the establishment since 1983 and every member of Emirates' senior management team but one has been with the airline for over 15 years and together, the nine members of the senior management team have more than 230 years' experience in the airline industry; and
- **Diversification:** With asset and net income contributions from entities such as DUBAL, Emirates, ENOC, Emaar and ENBD, the sector diversification in ICD's portfolio helps prevent its dependence on any one particular sector or portfolio company.

### **Financial Strength and Flexibility**

As at 30 June 2013, ICD, on a consolidated basis, had total assets of AED 586.8 billion (U.S.\$159.8 billion) and, for the six month period ended 30 June 2013, generated AED 91.2 billion (U.S.\$24.8 billion) and AED 8.1 billion (U.S.\$2.2 billion) of revenue and net income, respectively.

With its strong base of commercially successful and, in certain cases, globally recognised portfolio companies, access to domestic and international funding and Dubai's open economy, ICD has the flexibility and capability to shape its portfolio for the long-term benefit of Dubai and the Government (see also "*Relationship with the Government – ICD's Role in Dubai's Development Strategy*").

Additionally, given its broad mandate and strategic importance to Dubai, ICD benefits from numerous sources of liquidity, including strong international and domestic banking relationships and, from time to time, revenues from the disposal of non-core assets. Furthermore, notwithstanding ICD's general long-term approach to investments (see "*Investment Strategy*"), ICD has access to a highly liquid portfolio of equity interests (i.e. ICD's interests in its portfolio companies, a material proportion of the standalone (unaudited) total asset value of which is attributable to portfolio companies that are publicly held (and whose shares are publicly traded)). With access to at least AED 110.6 billion (U.S.\$30.1 billion) in listed companies (with ICD's ownership interests thereof valued at approximately AED 35.2 billion (U.S.\$9.6 billion)) as at 31 August 2013 (based on Dubai Financial Market/Abu Dhabi Stock Exchange quoted prices), ICD's portfolio is highly liquid (see "*Subsidiaries, Associates and Joint Ventures – Significant Holdings*") and can, if required, be realised for fundraising purposes.

See also "*Subsidiaries, Associates and Joint Ventures – Significant Holdings*" below for a list of the market capitalisations of the major listed companies in ICD's portfolio.

### **Conservative Consolidated and Standalone Leverage**

On a consolidated basis, as at 30 June 2013, ICD had AED 433.8 billion (U.S.\$118.1 billion) of total liabilities. A substantial portion of ICD's consolidated indebtedness is attributable to its banking subsidiaries, in particular, ENBD, which has been incurred, with no recourse to ICD, in the normal course of its commercial banking operations. ICD considers the overall leverage of its banking subsidiaries to be conservative by industry

standards. In addition, on a standalone basis, ICD considers its total bank indebtedness to be low relative to its total capitalisation (see also "*Operating and Financial Review – Liquidity and Borrowings – Material Indebtedness*").

## **Human Capital Resources**

As mentioned above, ICD's portfolio companies benefit from experienced boards of directors and senior management teams, who have contributed to the success and growth of these companies. In its position as shareholder of such companies, ICD has access to, and may from time to time consult with and acquire strategic advice from, the management teams of its portfolio companies who, collectively, have significant management experience across a wide variety of industries and geographies.

## **COMPETITIVE ENVIRONMENT**

ICD's mandate to consolidate and manage the Government's portfolio of companies is unique among Government-owned investment vehicles and ICD does not believe it faces significant competition in carrying out this mandate. However, certain portfolio companies face competition in their specific business areas, both locally in the MENA region and internationally. The nature and extent of this competition, and its effect on the Group as a whole, varies depending on the businesses concerned (see also "*Risk Factors*"). ICD's management believes that the existing sector diversity of its portfolio, as well as its continuing strategy of sector and geographic diversification of the Group's activities, offers a level of protection against, and mitigates, the adverse effects of one or more of its investments facing significant competition in their sphere of operations.

## **INVESTMENT STRATEGY**

In order to support the long-term economic prosperity of Dubai and the objectives of the Government's economic development strategy (see also "*Relationship with the Government*"), ICD's investment strategy is focused on maximising its return on equity on its investments, principally by:

- enhancing the value of its existing portfolio companies through active portfolio management; and
- efficiently deploying and recycling capital for new investments and acquisitions both locally and internationally.

## **Active Portfolio Management**

ICD's approach to portfolio management comprises the following key elements:

- *Design and implementation of asset level and portfolio investment strategy:* ICD regularly assesses its business strategy and portfolio performance, taking into consideration, in particular, asset, sector and macroeconomic trends upon which it forms, within the framework of its planning and investment process (see "*Planning and Investment Process*" below), a view on its short and long-term investment strategies (at both asset and portfolio levels) and the implementation and management of the same. As part of this process, ICD typically considers, among other things, potential monetisation opportunities to recycle capital (for example through initial public offerings) and new investment opportunities that are either strategic and complementary to existing portfolio assets, or that are conducive to portfolio diversification;
- *Consistent application of best practice governance:* ICD does not typically direct the commercial or operational decisions of its portfolio companies, each of which are managed by their respective management and guided and supervised by their independent boards of directors. However, in its capacity as a shareholder and as the representative of the Government, ICD does have the ability to actively engage various stakeholders, including the boards and management of its portfolio companies. Shareholder activity is carried out in furtherance of ICD's mandate to supervise and monitor its portfolio companies and any coordination between them. Further, as a shareholder, ICD endeavours to



promote efficient and effective corporate governance structures and practices at each of its portfolio companies;

- *Providing strategic advice and assistance to its portfolio companies, where necessary, to support their growth aspirations:* From time to time, ICD provides assistance to its portfolio companies to support their development through the provision of strategic advice on, among other matters, funding, legal affairs, growth planning and, where necessary, the provision of capital;
- *Facilitation of portfolio co-operation and the harnessing of Group synergies:* From time to time, ICD facilitates the implementation of co-operative ventures between its portfolio, or affiliated, companies and exercises its shareholder rights in furtherance of its mandate to supervise and monitor its portfolio companies and coordinate any co-operation between them;
- *Assessment and support of portfolio privatisation initiatives:* ICD's remit extends to assessing monetisation opportunities of its portfolio companies and investments (in part or in full) through divestitures and disposals. In doing so, ICD regularly reviews portfolio performance and prevailing global, regional and sector-specific (as the case may be) market conditions in order to determine whether monetisation can yield any long-term economic benefits for Dubai;
- *Continued support of local, high growth businesses or opportunities with a view to establishing future global champions, either through further consolidation of Government-seeded companies or by direct investment:* ICD's portfolio of companies includes a number of internationally recognised market leaders in their respective industries (such as Emirates, DUBAL and Emaar) which were seeded by the Government and developed domestically over a number of years. ICD is well positioned, both financially and strategically, to continue to seek out and develop investment opportunities in Dubai and the UAE, in particular in high growth segments, that have the potential to become future market leaders; and
- *Efficient deployment of surplus portfolio liquidity:* ICD strives to ensure that any surplus liquidity received or held by it (sourced from dividends received from its portfolio companies or otherwise) at any given time is deployed efficiently, whether as additional capital investments in existing or new portfolio companies to maximise its returns, or to reduce ICD's liabilities and outgoings or as dividend distributions to the Government.

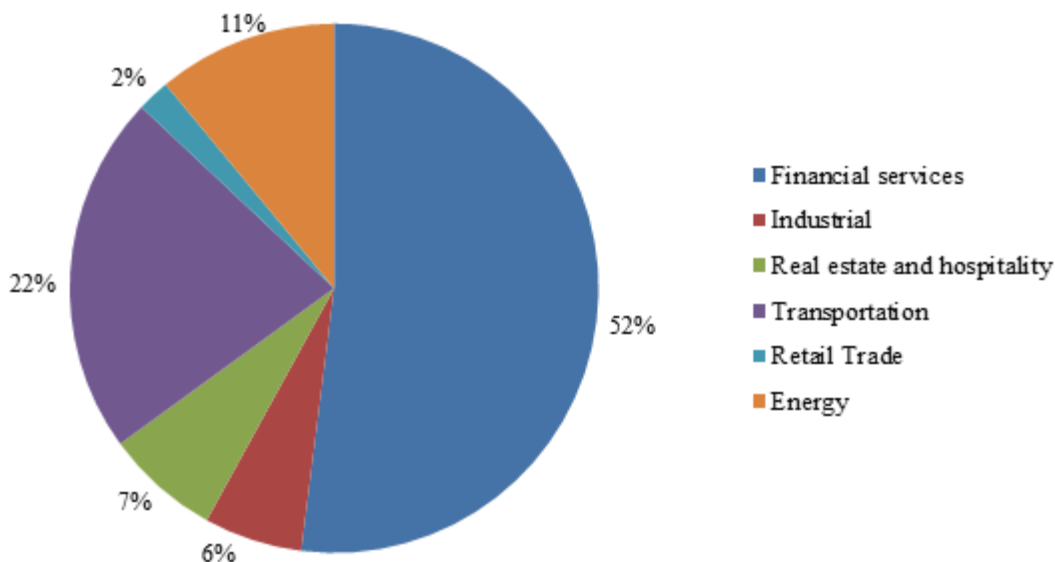
## **Sector Diversity**

In terms of sectors, ICD currently has a diversified portfolio with investments in the following sectors, which are of strategic importance to Dubai (for further detail regarding ICD's subsidiaries and other portfolio companies, see "*Subsidiaries, Associates and Joint Ventures*"):

- *Financial services:* ICD has significant ownership interests in several key Dubai based financial institutions. ICD has a majority stake in Dubai's principal banks including a majority stake in ENBD and substantial stakes in DIB, CBD, Noor Investment Group LLC (**NIG**) and MEFCO;
- *Transportation:* ICD's exposure to the transportation sector is primarily through its 100.0 per cent. ownership of Emirates and dnata as at 30 June 2013;
- *Energy:* ICD's exposure to the energy sector is through ENOC and its subsidiaries;
- *Industrial:* DUBAL (in which ICD holds an effective 50 per cent. interest) is a major producer of high quality aluminium. ICD also has a 50.0 per cent. ownership interest in DUCAB as at 30 June 2013, which manufactures low and medium voltage cables;
- *Real estate and hospitality:* ICD's exposure to the real estate sector is primarily through its 29.38 per cent. ownership of Emaar as at 30 June 2013; and

- *Retail trade*: ICD's exposure to the retail sector is primarily through its 100.0 per cent. ownership of DDF as at 30 June 2013.

The following chart provides a breakdown by sector of ICD's aggregated assets as at 30 June 2013.



The sectors in which ICD is currently invested are not fixed. In determining its ongoing investment strategy, ICD recognises the potential for sector diversification and actively pursues such opportunities. However, ICD also recognises the benefits, in terms of risk management and maximising portfolio synergies, of investing in sectors where it already has a strong presence and, accordingly, where it may have certain competitive advantages.

### Geographic Focus

Reflecting the origins of ICD and the long-term strategic importance of its Dubai and UAE based assets and investments, the ICD portfolio is currently strongly concentrated in the UAE with the majority of ICD's aggregated assets represented by portfolio companies domiciled in the UAE as at 30 June 2013. However, since its inception, ICD has sought, and continues, increasingly, to seek new investments internationally. ICD's investment strategy is unrestricted by geography (see "*Planning and Investment Process*" below).

## PLANNING AND INVESTMENT PROCESS

### New Investments Criteria

In evaluating new investment opportunities, ICD's investment strategy is underpinned by three key pillars that determine the feasibility of potential investments, namely, that each opportunity:

- should provide either strategic benefits (such as where the relevant opportunity provides strategic synergies with ICD's existing portfolio or is in a sector or market considered to have long-term strategic growth potential) and/or diversification benefits;
- is considered on an entirely commercial basis and is appraised based on the viability of achieving an appropriate long-term risk-adjusted return; and
- is conducive to adequate capital preservation, either commercially or structurally.

Beyond these pillars, ICD does not adhere to any particular prescriptive investment criteria. ICD's mandate is sufficiently broad to allow it to diversify its existing investments portfolio and deploy capital across any asset class, sector or geography. Based on regular assessments of prevailing global and regional economic and financial market conditions, and prospective views on asset class performance, ICD periodically reviews and, if appropriate, revises its capital deployment strategy for new investments (see "*Approval and Implementation*" below).

In practice, ICD is on the whole a long-term investor with a current focus on:

- providing strategic or growth private equity capital to established businesses with dominant market positions and/or operating in fast growing markets;
- making investments in large cap publicly listed institutions operating in mature or strategic growth markets (typically comprising shareholdings, or investments in debt or hybrid securities, in businesses which ICD believes will provide competitive dividend flow and/or capital appreciation); and
- investing in nascent or growth industries and geographies, by way of joint ventures and partnerships alongside industry champions.

Within each of these focus areas, ICD seeks to maintain a balance between income generating assets and growth assets.

### **Approval and Implementation**

The Board is responsible for setting the overall investment strategy for ICD, in a manner consistent with that outlined in its incorporating decree. From time to time, ICD's Executive Committee (described further below) will make recommendations to, and seek approval from, the Board to establish guidelines governing asset and capital allocation. Such recommendations typically outline proposals relating to the strategic development of the ICD portfolio, target sectors, geographies, asset classes and new investments. The Executive Committee make such recommendations based on their comprehensive assessment of prevailing and prospective market conditions, utilising both internal and external advice (where necessary) and taking into consideration ICD's overall funding and operating requirements, both short and long-term. The approved guidelines (having been subject to the Board's review, consultation and, where applicable, revision), together with ICD's key overriding 'pillars' governing new investments (see "*New Investments Criteria*" above), provide a framework to support the successful deployment of capital, congruent with the overall strategic plan and objectives of ICD.

ICD's management structure comprises two main committees, namely the Executive Committee and the Investment Management Committee. These investment-focused committees are supported by the Risk Management Committee, which monitors and oversees the development and implementation of the policies and procedures that form the risk framework within which investment strategies are set and in accordance with which investments are executed (see also "*Management – Management Committees*").

The financial return required by ICD in considering an investment depends on a number of factors, including the amount of capital deployed, the industry sector and the level of risk associated with the investment.

Investment proposals considered by ICD are generated from multiple channels, being originated internally and by its subsidiaries or proposed to ICD by third parties (for example from the Government, joint venture partners and financial intermediaries). The process for assessing and, if applicable, executing proposed investments involves the following phases:

- *Initial Screening*: Opportunities are systematically evaluated against ICD's strategy and financial and commercial investment criteria. Viable opportunities are approved for further review;
- *Preliminary Due Diligence*: Critical elements of the investment are defined (such as valuation, structure, financing, commercial prospects and risks) and an initial investment case is developed. Initial

findings are summarised and reviewed by the Investment Management Committee, following which a decision is made to further commit to the investment process or otherwise;

- *Development:* In parallel with the appointment of advisors and the subsequent performance of due diligence (financial, legal and commercial), a detailed investment case business plan (including financing strategy) is developed, a risk assessment is performed and negotiations of indicative terms are commenced with the relevant counterparties;
- *Review and Approval:* Following the completion of detailed due diligence and the valuation review, and subject to successful negotiations with the relevant counterparties, presentations are made to the Executive Committee or the Board, (depending on the amount of funding required) by the sponsoring members of the investment team, outlining the investment case for the proposed opportunity (including key due diligence findings, target returns, exit strategy, post-acquisition management plan and risk mitigation plan) for their consideration and approval. In practice, the review process may require several iterations, involving revisions to proposed deal terms;
- *Completion:* If the investment proposal is successful, final investment approval is given by the Executive Committee or the Board (depending on the amount of funding required) and the investment moves into the implementation phase, involving the finalisation of agreed terms with the relevant counterparties, followed by completion of the relevant legal formalities;
- *Operation:* Following completion, ICD monitors the investment's financial performance against the business model to ensure that expectations are being met. The business plan is updated on at least an annual basis, and key financial and non-financial metrics are updated quarterly and presented to project leadership by way of a progress report; and
- *Exit:* While monitoring the performance of an investment, ICD may consider whether or not to exit the project and, if so, the appropriate exit options and timing.

Once ICD has executed an investment, the degree of ongoing involvement will vary significantly depending on the nature and size of the investment. In all cases, the progress of the investment is monitored by ICD, for example, to determine if and when the approved parameters change materially, further investment becomes necessary or an exit is considered.

## SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

### Significant Holdings

The following table sets out ICD's principal portfolio of listed companies as at the date of this Base Prospectus:

	Year founded	Market capitalisation (AED million) <sup>(2)</sup>	ICD's ownership (%) <sup>(1)</sup>	ICD ownership value (AED million) <sup>(2)</sup>
Emirates NBD PJSC .....	2007	30,568	55.6	16,996
Emaar Properties PJSC .....	1997	35,025	29.4	10,297
Dubai Islamic Bank PJSC <sup>(4)</sup> .....	1975	13,206	28.6	3,777
Commercial Bank of Dubai PJSC....	1969	8,153	20.0	1,631
Union National Bank PJSC.....	1982	12,840	10.0	1,284
Dubai Investments PJSC.....	1995	6,427	11.5	739
National Bank of Fujairah PSC.....	1982	4,400	9.8	431
<b>Total</b> <sup>(3)</sup> .....	—	<b>110,618</b>	—	<b>35,155</b>

*Note:*

- (1) ICD ownership percentage as at 30 June 2013.
- (2) These values reflect market capitalisation based on Dubai Financial Market/Abu Dhabi Stock Exchange quoted prices as at 31 August 2013.
- (3) The total figure is not a consolidation of the Group in accordance with any accounting standards and is simply an aggregation of the individual figures which precede the total.
- (4) ICD's ownership interest in Dubai Islamic Bank PJSC as at 15 August 2013 (*source: www.dib.ae/investor-relations/company-information/ownership*).

The following table sets out ICD's principal portfolio of unlisted companies as at 30 June 2013:

	<b>Year founded</b>	<b>Net equity (AED million)</b>	<b>ICD's ownership (%)<sup>(1)</sup></b>	<b>ICD ownership value (AED million)</b>
Emirates Group (including dnata) <sup>(2)</sup> .....	1985 (Emirates), 1987 (dnata)	27,423	100.0	27,423
Dubai Aluminium <sup>(2)</sup> .....	1979	22,268	100.0	22,268
Emirates National Oil Company Limited (ENOC) LLC <sup>(2)</sup> .....	1993	17,126	100.0	17,126
Borse Dubai Limited <sup>(3)</sup> .....	2007	9,254	89.7	8,303
Dubai World Trade Centre Corporation <sup>(3)</sup> .....	1979	7,882	100.0	7,882
Dubai Duty Free <sup>(3)</sup> .....	1983	5,786	100.0	5,786
Dubai Aerospace Enterprise (DAE) Limited <sup>(4)</sup> .....	2006	—	68.4	—
Dubai Airport Freezone Authority <sup>(3)</sup> .....	1996	3,612	100.0	3,612
Dubai Silicon Oasis Authority <sup>(3)</sup> .....	2005	2,773	100.0	2,773
Dubai Cable Company (Private) Limited <sup>(5)</sup> .....	1979	1,720	50.0	860
<b>Total<sup>(6)</sup></b> .....	—	<b>97,844</b>	—	<b>96,033</b>

*Note:*

- (1) ICD ownership percentage as at 30 June 2013.
- (2) These figures reflect the net equity value based on unaudited interim condensed financial statements as at 30 June 2013.
- (3) These figures reflect the net equity value based on management accounts as at 30 June 2013.
- (4) "Net equity" and "ICD ownership value" information in respect of DAE is not available for disclosure.
- (5) These figures reflect the net equity value based on audited financial statements as at 31 December 2012.
- (6) The total figure is not a consolidation of the Group in accordance with any accounting standards and is simply an aggregation of the figures which precede the total.

A sector-wise description of ICD's key portfolio companies is set out below.

## **Financial Sector**

The following is a summary of ICD's financial sector portfolio:

	ICD ownership (%) <sup>(1)</sup>	Floated (Y/N)	Revenue (AED million) <sup>(3)</sup>	Net income (AED million) <sup>(3)</sup>	Assets (AED million) <sup>(4)</sup>
ENBD .....	55.6	Y	11,856	3,256	342,061
DIB <sup>(5)</sup> .....	28.6	Y	5,210	1,718	113,288
UNB .....	10.0	Y	3,212	1,748	87,546
CBD .....	20.0	Y	2,033	1,010	44,476
NBF .....	9.8	Y	885	393	21,455
Borse Dubai <sup>(2)</sup> .....	89.7	N	—	—	—
National Bonds <sup>(2)</sup> .....	100.0	N	—	—	—
NIG <sup>(2)</sup> .....	25.0	N	—	—	—
MEFCO <sup>(2)</sup> .....	20.0	N	—	—	—

*Note:*

- (1) ICD ownership percentage as at 30 June 2013.
- (2) The company's financial statements are not available to the public.
- (3) For the financial year ended 31 December 2013 (*source: company's published financial statements*).
- (4) As at 31 December 2013 (*source: company's published financial statements*).
- (5) ICD's ownership interest in Dubai Islamic Bank PJSC as at 15 August 2013 (*source: www.dib.ae/investor-relations/company-information/ownership*).

### **Emirates NBD PJSC**

ENBD is the largest banking entity in the UAE across a range of metrics, including by shareholders equity and by assets. ENBD is also one of the largest banking entities in the GCC by assets, with total assets of AED 342.1 billion (U.S.\$93.2 billion) as at 31 December 2013. ENBD had a loan portfolio (including Islamic finance receivables) of AED 238.3 billion (U.S.\$64.9 billion) as at 31 December 2013 and had a capital adequacy ratio of 19.6 per cent. as at 31 December 2013 (*source: ENBD Q4 2013 Financial Results Announcement, January 2014*). As at 31 December 2011, 31 December 2012 and 30 June 2013, ENBD represented 56 per cent., 52 per cent. and 51 per cent. respectively of the total assets of the Group. For the years ended 31 December 2011 and 31 December 2012 and for the six month period ended 30 June 2013, ENBD contributed 16 per cent., 16 per cent. and 25 per cent. respectively of the net income of the Group. ENBD is a publicly listed company whose shares are listed on the Dubai Financial Market (**DFM**) under the symbol EMIRATESNBD.

ENBD (including through the operation of its operating subsidiaries) is one of the leading full service banks in the UAE and has branches or representative offices in the Kingdom of Saudi Arabia, Jersey, Qatar, Iran, Egypt, India, Singapore, China and the United Kingdom.

ENBD has a significant presence in the UAE retail, corporate and commercial banking markets. ENBD has 220 branches and over 927 automatic teller machines (**ATMs**) and cash deposit machines spread across the UAE and overseas as at 31 December 2013 (*source: www.emiratesnbd.com/en/aboutEmiratesNBD/index.cfm*).

In addition, through its subsidiaries and associates, ENBD offers Islamic banking services, as well as investment banking, property development and management, asset management, insurance services, credit card facilities and other banking-related services. In October 2011, pursuant to the directions of H.H. The Ruler of Dubai, ENBD acquired a 100.0 per cent. stake in Dubai Bank. This acquisition was fully supported by the UAE Central Bank and the UAE Ministry of Finance. Following the acquisition, Dubai Bank became a fully-owned Islamic banking subsidiary of ENBD. In April 2012, Dubai Bank and another subsidiary of ENBD, Emirates Islamic Bank (**EIB**), announced that they had merged their management teams and established a unified

executive committee to manage both banks. During 2012, Dubai Bank's portfolio, customers and branches were migrated to EIB, and the rebranding of the Dubai Bank branches and ATMs to the EIB brand was completed by the end of 2012, resulting in the creation of the third largest Islamic bank in the UAE by assets and branches.

### ***Dubai Islamic Bank PJSC***

DIB was the world's first full service Islamic bank and, as at 31 December 2013, was the largest Islamic bank in the UAE by total assets and also ranks amongst the top five banks in the UAE by total assets (*source: DIB 2013 Investor Presentation*). DIB was established in Dubai on 12 March 1975, with the objective of providing banking and other financial services tailored to adhere to the principles of Islamic *Shari'a*. DIB has its shares listed on the DFM under the symbol DIB.

The core business areas of DIB and its consolidated subsidiaries and associates are retail and business banking, corporate banking and financial institutions, real estate and contracting finance, investment banking and treasury. DIB offers a wide range of *Shari'a*-compliant products and services to retail, corporate and institutional clients through a network of over 85 branches across the UAE as at 31 December 2013. In addition to its main office and branches in Dubai, DIB operates across all the other Emirates of the UAE. As at 31 December 2013, DIB had AED 113.3 billion (U.S.\$30.9 billion) of total assets, a loan portfolio of AED 56.1 billion (U.S.\$15.3 billion) and had a capital adequacy ratio of 18.2 per cent (*source: DIB 2013 Annual Report and DIB 2013 Investor Presentation*).

### ***Union National Bank PJSC***

Established in 1982, Union National Bank PJSC (**UNB**) offers a variety of products and services which cater to a range of clientele in both the retail and corporate sectors and has over 63 branches across the UAE. As at 31 December 2013, UNB's capital adequacy ratio was 19.9 per cent. and the bank had AED 87.5 billion of total assets and a loan portfolio of AED 60.0 billion (*source: UNB 2013 Annual Report*). The bank's shares are listed on the Abu Dhabi Securities Exchange (**ADX**) under the symbol UNB.

### ***Commercial Bank of Dubai PJSC***

CBD was established in 1969 as a joint venture between Commerzbank, Chase Manhattan Bank and Commercial Bank of Kuwait. It is now a national public shareholding company, with the largest shareholder being ICD. CBD provides retail and commercial banking services such as current and savings accounts, personal loans, credit cards, investment banking services including investment advisory and asset management services including wealth management. The bank has over 25 branches throughout the UAE. As at 31 December 2013, CBD had AED 44.5 billion (U.S.\$12.1 billion) of total assets, a loan portfolio of AED 30.3 billion (U.S.\$8.3 billion) and was well capitalised with a capital adequacy ratio of 18.96 per cent. (*source: CBD 2013 Annual Report*). The bank has its shares listed on the DFM under the symbol CBD.

### ***National Bank of Fujairah***

The UAE-based National Bank of Fujairah (**NBF**) was established by the Government of Fujairah. NBF offers corporate banking, trade finance, retail banking, small business financing and investment services such as wealth management and securities trading. NBF has more than 10 branches across the UAE. As at 31 December 2013, NBF had AED 21.5 billion of total assets, a loan portfolio of AED 14.3 billion and was well capitalised with a capital adequacy ratio of 17.8 per cent. (*source: NBF 2013 Annual Report*). The bank has its shares listed on the ADX under the symbol NBF.

### ***Borse Dubai Limited***

Borse Dubai is the holding company for the DFM and NASDAQ Dubai. Borse Dubai was incorporated in August 2007 to consolidate the Government's two stock exchanges as well as current investments in other exchanges and expanding Dubai's position as a global capital markets hub. In addition to these subsidiaries, as at the date of this Base Prospectus, Borse Dubai is the owner of a stake of 20.64 per cent. in the London Stock

Exchange as well as a stake of 16 per cent. in the NASDAQ-OMX Group (*source: www.borsedubai.ae/borse-dubai-exchange-portfolio.htm*).

### **National Bonds Corporation PJSC**

National Bonds is a Dubai based financial institution providing Islamic saving schemes to UAE nationals, residents and non-residents. National Bonds offers wealth accumulation through an all-in-one *Shari'a* compliant *Mudaraba* based saving scheme, the first of its kind in the world. National Bonds is a private joint stock shareholding company, established in March 2006 with a paid-up capital of AED 150 million. It is licensed and regulated by the UAE Central Bank.

### **Noor Investment Group LLC**

Headquartered in Dubai, NIG provides investment solutions in the sectors of consumer, corporate and investment banking, wealth management, treasury, private equity, financial advisory and *takaful* (Islamic insurance) services. NIG has the following significant subsidiaries: (i) NIB, which provides Islamic commercial banking services; and (ii) Noor Takaful Family PJSC and Noor Takaful General PJSC, both of which provide *Shari'a* compliant insurance services and are jointly owned by NIG and NIB.

NIB, established in 2008 in Dubai, is a full service Islamic bank with more than 10 branches across the UAE. NIB's products and services are governed by a *Shari'a* board, comprising leading Islamic scholars with extensive experience and expertise in legal, financial and banking matters.

### **HSBC Middle East Finance Company**

MEFCO was established in 1969 to provide vehicle and asset finance to residents of UAE. MEFCO also provides vehicle finance and loans for heavy duty equipment, construction plant and machinery and fleet finance for corporates. Headquartered in Dubai, the company has offices across the UAE in Dubai, Abu Dhabi, Al Ain and Ras Al Khaimah.

## **Transportation Sector**

The following is a summary of ICD's transportation sector portfolio:

	<b>ICD ownership</b>	<b>Floated</b>	<b>Revenue</b>	<b>Net income</b>	<b>Assets</b>
	(%) <sup>(1)</sup>	(Y/N)	(AED million) <sup>(3)</sup>	(AED million) <sup>(3)</sup>	(AED million) <sup>(4)</sup>
Emirates .....	100.0	N	71,159	2,408	94,803
dnata.....	100.0	N	6,536	854	7,571
DAE <sup>(2)</sup> .....	68.4	N	—	—	—

#### **Note:**

- (1) ICD ownership percentage as at 30 June 2013.
- (2) The company's financial statements are not available to the public.
- (3) For the financial year ended 31 March 2013 (*source: company's published financial statements*).
- (4) As at 31 March 2013 (*source: company's published financial statements*).

### **Emirates**

Emirates is one of the world's fastest growing airlines having grown from a fleet of two aircraft in 1985 to 197 aircraft as at 31 March 2013, and has evolved into a travel and tourism operation on a global scale under the umbrella of the Emirates Group. As at 31 March 2013, Emirates flew to 132 destinations, in 77 countries, on six continents and it transported 39.4 million passengers during the financial year ended 31 March 2013. Emirates is the busiest of the more than 140 airlines operating out of Dubai International Airport (**DIA**), accounting for more than 60 per cent. of the 57.6 million passengers using DIA during the calendar year 2012 (*source: www.dubaiairportsreview.com/traffic*). Since October 2008, Emirates has had its own dedicated



terminal at DIA, Terminal 3, which is capable of accepting Airbus A380 aircraft, including the recently opened Concourse A that is solely dedicated to Airbus A380 aircraft. Emirates operates one of the youngest fleets of aircraft in the world with the average age of the fleet standing at 72 months during the same period, in comparison to a global industry average of around 137 months, according to the International Air Transport Association (IATA) (*source: IATA World Air Transport Statistics report, June 2012*).

According to IATA, in 2012 Emirates was the leading airline in the world in terms of international passenger flights measured in revenue passenger kilometres and ranked first in terms of international freight transported measured in freight tonne kilometres (*source: IATA World Air Transport Statistics, 57th edition*).

Emirates has reported its 25th consecutive year of net profits (as per its financial year ended 31 March 2013). Emirates' profit for the financial year ended 31 March 2013 was AED 2,408 million (U.S.\$656 million) on revenues of AED 71,159 million (U.S.\$19,376 million) and its profit for the financial year ended 31 March 2012 was AED 1,620 million (U.S.\$441 million) on revenues of AED 61,508 million (U.S.\$16,748 million).

Emirates' operation of its long-haul services through a single hub at DIA, combined with its network of passenger destinations and high frequency of flights allows it to maximise connectivity around the globe. Given that around four billion people live within an eight hour flight from Dubai, the location of Emirates' hub at DIA provides it with the significant additional advantage that non-stop flights can be made to all major destinations across the globe. Like ICD, Emirates' strategy is closely aligned with the strategic development objectives of the Government as set out in the Dubai Strategic Plan 2015 (see "*Overview of the United Arab Emirates and the Emirate of Dubai – Strategy of Dubai*"). Emirates' key competitive strengths lie in its product positioning, geographical position (which facilitates the connectivity of its flights around the world), access to underserved markets, cost structure, higher operating efficiency, passenger traffic mix and focus on cargo traffic, independence from global alliances, premium brand, young and efficient fleet, financial strength and flexible funding sources and experienced management team. Emirates is not a member of any global airline alliance, although it enters into codeshare and interline arrangements with other airlines including, among others, flydubai and Qantas.

Emirates is the flagship company in the Emirates Group portfolio, which includes, among others, dnata (a supplier of air travel services – see "*dnata*" below), Emirates SkyCargo, Emirates Hotels and Resorts, Skywards and Emirates Aviation College. The Emirates Group's principal business is the transportation by air of both passengers and cargo and this business accounted for more than 90.0 per cent. of the Emirates Group's total revenue in each of the three financial years ended 31 March 2013, 2012 and 2011. The Emirates Group also provides destination and leisure management services and generates revenues through the sale of consumer goods, food and beverages and the provision of in-flight catering services to third parties. Any reference in this Base Prospectus to the "**Emirates Group**" is a reference to Emirates, its consolidated subsidiaries and dnata (together with its consolidated subsidiaries). dnata is a separate legal entity from Emirates, although it is under common ownership and operates under a common management structure. dnata's financial results are not consolidated with those of Emirates. In total there are more than 50 business units within the Emirates Group, which employs nearly 68,000 people (*source: Emirates Group Annual Report 2012-2013*).

### ***dnata***

dnata was incorporated in Dubai under a decree issued by H.H. Sheikh Maktoum bin Rashid Al-Maktoum on 4 April 1987. On that date, the total assets and liabilities of Dubai National Air Travel Agency were transferred to dnata, with effect from 1 April 1987, for nil consideration. The main activities of dnata comprise:

- the provision of aircraft handling and engineering services;
- the provision of handling services for export and import cargo;
- in-flight catering services;
- information technology services;

- representing airlines as their general sales agent; and
- travel agency and other travel related services.

As such, dnata has benefited from the historic expansions of Emirates' and DIA's operations. dnata is the largest supplier of air travel services in the Middle East and the sole ground handling agent at DIA.

For the financial year ended 31 March 2013, dnata and its consolidated subsidiaries reported a profit for the year of AED 854 million (U.S.\$233 million), an AED 17 million (U.S.\$4.6 million) increase from the profit for the financial year ended 31 March 2012 (AED 837 million (U.S.\$228 million)). dnata generated revenues of AED 6,536 million (U.S.\$1,780 million) for the financial year ended 31 March 2013 and AED 5,670 million (U.S.\$1,544 million) for the financial year ended 31 March 2012 (*source: Emirates Group Annual Report 2012-2013*).

### ***Dubai Aerospace Enterprise (DAE) Limited***

DAE was established in 2006 and is headquartered in Dubai. DAE runs a maintenance, repair and overhaul business through DAE Engineering and an aircraft leasing business through DAE Capital. DAE contributes strategic value to the region and supports the future of Dubai as a key aerospace hub and there are significant synergies between Emirates, DIA and DAE not just in terms of aircraft orders, infrastructure, technology solutions and aircraft maintenance, but also in terms of knowledge-transfer between the organisations and the joint establishment of a broad-based aviation industry in Dubai.

### **Energy Sector**

ICD's energy sector portfolio consists solely of ENOC, which is 100 per cent. owned by ICD as at 30 June 2013.

### ***Emirates National Oil Company Limited (ENOC) LLC***

ENOC was established in 1993 and is a provider of upstream exploration and downstream refining. It is also involved in the development, production, chemical storage and marketing of petroleum and petrochemical products. As at 16 December 2013, ENOC had a refinery capacity of 120,000 barrels of oil per day (*source: [www.enoc.com/EN/PerSer/default.aspx](http://www.enoc.com/EN/PerSer/default.aspx)*).

ENOC directly and indirectly owns more than 20 subsidiaries including the Emirates Petroleum Products Company (EPPCO) LLC (**EPPCO**), which operates across a variety of sectors including petroleum retailing, aviation refuelling and lubricants manufacturing.

ENOC also has a 54.2 per cent. share in Dragon Oil plc as at 30 June 2013, an independent oil and gas exploration and production company incorporated in Ireland and is listed on the London and Irish Stock Exchanges, and wholly owns Dubai Natural Gas Limited, an exporter of liquid natural gas products to world markets.

Additionally, ENOC's services include real estate and retail where its network of ENOC and EPPCO service stations across Dubai and the Northern Emirates supply motorists' fuel needs and include convenience stores, car wash and quick oil change facilities.

### **Industrial Sector**

The following is a summary of ICD's industrial sector portfolio:

	ICD ownership	Floated	Revenue	Net income	Assets
	(%) <sup>(1)</sup>	(Y/N)	(AED million) <sup>(3)</sup>	(AED million) <sup>(3)</sup>	(AED million) <sup>(4)</sup>
DUBAL <sup>(2)</sup> .....	100.0	N	—	—	—
DUCAB <sup>(2)</sup> .....	50.0	N	—	—	—
Dubai Investments.....	11.5	Y	2,842	808	12,620

**Note:**

- (1) ICD ownership percentage as at 30 June 2013.
- (2) The company's financial statements are not available to the public.
- (3) For the financial year ended 31 December 2013 (*source: company's published financial statements*).
- (4) As at 31 December 2013 (*source: company's published financial statements*).

### **Dubai Aluminium**

DUBAL produces aluminium and operates one of the largest single-site smelting facilities in the world, built on a 480-hectare site in Jebel Ali, which has the capacity to produce more than one million metric tonnes of high quality finished aluminium products per year. Approximately 92 per cent. of DUBAL's total production is exported to global markets. More than 300 customers are served in over 50 countries, with key markets in the Far East/Asia, Europe, the Middle East and North Africa and the Americas (*source: www.dubal.ae/our-products/primary-aluminium/key-markets.aspx*).

In June 2013, ICD agreed with Mubadala Development Company PJSC (**Mubadala**) to unite the operations of DUBAL and EMAL, under a newly created jointly-owned holding company, EGA. EGA was incorporated on 27 March 2014 with ICD and Mubadala each holding (indirectly) 50 per cent. of the shares in EGA. This agreement builds on the successful partnership that began with the formation of EMAL in 2006, a joint venture between Mubadala and DUBAL.

EGA commenced operations on 7 April 2014. Once Phase II of EMAL is completed in mid-2014, EGA will have an aggregate enterprise value of more than U.S.\$15 billion, will serve over 440 customers in 55 countries and will be the fifth largest aluminium company by production in the world, with a production capacity of 2.4 million tonnes of aluminium per year (*source: www.emiratesglobalaluminium.com, www.crugroup.com*).

### **Dubai Cable Company (Private) Ltd**

DUCAB is a joint venture between ICD and General Holding Corporation of Abu Dhabi and manufactures low and medium voltage power cables, components and accessories for a range of industrial applications throughout the world with its strongest markets being the UAE, Saudi Arabia, Qatar, Kuwait, Oman and Bahrain. With three factories in Dubai and Abu Dhabi (DUCAB occupies an area of 590,000 square metres of land in Jebel Ali, Dubai and nearly 330,000 square metres of land in Mussafah, Abu Dhabi), DUCAB manufactures over 110,000 tonnes per annum of high, medium and low voltage power cables, components and accessories for a range of industrial applications throughout the world. DUCAB has supplied cables for high profile projects such as the Burj Khalifa, Dubai Metro and Palm Jumeirah. DUCAB has also entered into a joint venture with the Dubai Electricity and Water Authority and the Abu Dhabi Water and Electricity Authority, known as DUCAB-HV, which manufactures high voltage cables from a dedicated facility which began operations in November 2011 (*source: www.ducab.ae/mfg\_facilities.asp*).

### **Dubai Investments PJSC**

Dubai Investments PJSC (**Dubai Investments**) is a holding investment company that invests in existing and start-up companies and projects through a number of divisions and subsidiaries including Dubai Investments Park, Dubai Investments Industries, Masharie LLC and Dubai Investments Real Estate Company. With over 19,894 shareholders, 40 subsidiaries and paid-up capital of AED 3.6 billion (U.S.\$980 million) as at 16 December 2013, it is the largest investment company listed on the DFM (*source: www.dubaiinvestments.com/en/SitePages/di\_at\_a\_glance.aspx*).

## Real Estate and Hospitality Sector

The following is a summary of ICD's real estate and hospitality sector portfolio:

	ICD ownership (%) <sup>(1)</sup>	Floated (Y/N)	Revenue (AED million) <sup>(3)</sup>	Net income (AED million) <sup>(3)</sup>	Assets (AED million) <sup>(4)</sup>
Emaar.....	29.4	Y	10,328	2,541	64,932
DWTC <sup>(2)</sup> .....	100.0	N	—	—	—
DAFZA <sup>(2)</sup> .....	100.0	N	—	—	—
DSO <sup>(2)</sup> .....	100.0	N	—	—	—

### Note:

- (1) ICD ownership percentage as at 30 June 2013.
- (2) The company's financial statements are not available to the public.
- (3) For the financial year ended 31 December 2013 (*source: company's published financial statements*).
- (4) As at 31 December 2013 (*source: company's published financial statements*).

### ***Emaar Properties PJSC***

Emaar is a Dubai based company engaged in property investment and development, property management services, education, healthcare, retail and hospitality sectors, as well as investing in financial service providers. It is the largest publicly-listed property developer in the MENA region. Emaar is listed on the DFM (under the symbol EMAAR) and is part of the Dow Jones Arabia Titans 50 Index, which is an index maintained by Dow Jones that measures 50 leading stocks traded on the major exchanges in Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Tunisia and the UAE.

For the financial year ended 31 December 2013, Emaar generated revenues of AED 10.33 billion (U.S.\$2.81 billion) and net operating profit of AED 2.54 billion (U.S.\$0.70 billion) (*source: Emaar Properties PJSC Corporate Presentation, 10 March 2014, Emaar 2013 Annual Report*). As at 31 December 2011, 31 December 2012 and 30 June 2013, Emaar represented 2 per cent. of the total assets of the Group. For each of the years ended 31 December 2011 and 31 December 2012 and for the six month period ended 30 June 2013, Emaar contributed 2 per cent., 3 per cent. and 2 per cent. respectively of the net income of the Group.

Emaar specialises in creating master-planned communities (including the "Old Town" and high rise developments, centred around the Burj Khalifa in Dubai). As at the date of this Base Prospectus, Emaar owned 12 hotels and resorts and had delivered approximately 37,350 residential units since 2001 and owned over 690,000 square metres of recurring revenue generating assets. Emaar also developed the tallest building in the world, the Burj Khalifa. Emaar operates domestically in the UAE and regionally with a focus on faster growing markets. With six business segments and more than 60 active companies, Emaar has a collective presence in markets spanning the Middle East, North Africa, Asia, Europe and North America regions. Emaar has established operations in the UAE, Saudi Arabia, Syria, Jordan, Lebanon, Egypt, Morocco, India, Pakistan, Turkey, China, USA, Canada and the United Kingdom. In addition to its property development business, Emaar is developing new competencies in hospitality and leisure, malls, education, healthcare and other business segments (*source: Emaar Properties PJSC Corporate Presentation, 20 November 2013*).

### ***Dubai World Trade Centre Corporation***

DWTC promotes and manages a range of venues and events as well as providing organisation and media and advertising services. DWTC's facilities comprise of the Dubai International Convention and Exhibition Centre, the Convention Tower office building, on-site accommodation at the Novotel and Ibis hotels, serviced accommodation at the Dubai International Hotel Apartments and the Dubai Airport Expo Centre.

### ***Dubai Airport Freezone Authority***

DAFZA was established in 1996 within the boundaries of DIA. As at 16 December 2013, DAFZA was home to over 1,450 companies from across the globe covering a vast number of key industry sectors, including aviation, freight and logistics, IT and telecommunications, pharmaceuticals, engineering, food and beverages, jewellery and cosmetics (*source: www.dafz.ae/en/directorsgeneralwelcome.html*). DAFZA provides access to 24-hour logistics services, business operation facilities and a number of government services which facilitate the establishment and serve the needs of businesses, including immigration, customs and the chamber of commerce. International investors benefit from tax and investment incentives, such as 100 per cent. tax exemption and 100 per cent. foreign ownership.

### ***Dubai Silicon Oasis Authority***

DSO was established in 2004 with the mission to facilitate and promote modern technology based industries, thus supporting the region's demand for business expansion. DSO is a free zone authority which primarily caters to the technology sector and supporting companies and provides free trade zone incentives and benefits to companies operating within its free zone.

DSO offers a range of facilities to businesses operating within the technology park with high quality infrastructure, systems and equipment. Facilities include offices, multiple-use warehousing, manufacturing land for development and conference facilities.

### **Retail Trade Sector**

The following is a summary of ICD's retail sector portfolio:

	<b>ICD ownership</b>	<b>Floated</b>	<b>Revenue</b>	<b>Net income</b>	<b>Assets</b>
	(%) <sup>(1)</sup>	(Y/N)	(AED million)	(AED million)	(AED million)
DDF <sup>(2)</sup> .....	100.0	N	—	—	—
Galadari Bros <sup>(2)</sup> .....	37.9	N	—	—	—

*Note:*

- (1) ICD ownership percentage as at 30 June 2013.
- (2) The company's financial statements are not available to the public.

### ***Dubai Duty Free***

DDF is the sole and exclusive duty free operator for Dubai Airports (the operator and manager of both DIA and Al Maktoum International Airport at Dubai World Central (**AMIA**) and wholly owned by the Government) at the departure and arrivals areas of all terminals. Established in 1983, DDF has grown to become one of the leading airport retailers in the world, with annual sales turnover of AED 6.7 billion in 2013. DDF offers a wide range of products in a modern shopping environment. With the opening of Concourse A in January 2013 (which is dedicated to Emirates' A380 fleet), DDF operates 26,000 square metres of retail space in DIA and 2,500 square metres of retail space in AMIA. DDF's management consists of an experienced team that has been continuously modernising the company since its establishment. On average the management team has been with DDF for 19 years, with the top senior management having spent on average 26 years at DDF. DDF employs approximately 6,000 people (*source: www.dubaidutyfree.com/about/about\_ddf*).

### ***Galadari Brothers Company LLC***

Galadari Bros. is a holding company with activities including real estate and land development, distribution of automobiles and trucks, travel agents and tour operators, printing and publishing, franchise operations for Baskin Robbins ice cream and other international franchises and trading of industrial machinery.

## **FUNDING**

Other than the initial transfers of assets to ICD at its inception, ICD has been, and continues to be, self-funding and responsible for independently sourcing its own financing. In addition, notwithstanding the periodic transfers to ICD of surplus revenues of certain Government departments, authorities and entities for ICD to manage on behalf of the Government pursuant to Dubai Law 35 of 2009, to date, ICD has neither received nor requested for its own account any payments, budget allocations or other financial support from the Government pursuant to Dubai Law 35 of 2009 or otherwise (see also "*Relationship with the Government – Funding, Support and Oversight from the Government*").

The sources of financing available to ICD are, and to date have been, dividend and special dividend revenues received from ICD's portfolio companies, cash proceeds from disposals and divestitures of portfolio holdings and external debt financing (including bilateral and syndicated facilities).

As at 30 June 2013, ICD had outstanding bank indebtedness of AED 13,103 million (U.S.\$3,568 million) (at the ICD level only). The Government has not provided any guarantees and does not have any other contingent liabilities in respect of this indebtedness. See also "*Operating and Financial Review – Liquidity and Borrowings – Material Indebtedness*", "*Relationship with the Government – Funding, Support and Oversight from the Government – Contributions from the Government*" and "*– Operating Model*".

At the portfolio level, funds are raised by individual companies independently to finance their own development and operations. ICD does not participate in, or guarantee, the funding requirements of its portfolio companies.

## **RISK MANAGEMENT**

The range of risks ICD faces changes with the development of its portfolio. Actual and potential risks that ICD may be or become exposed to need to be identified, measured, aggregated and effectively managed. ICD manages risk through a risk management framework which incorporates organisational structure, risk measurement and monitoring processes. The Board and ICD's Executive Committee are responsible for the management of strategic, financial and operational risks. They are supported in this function by the Risk Management Committee (see "*Management*"). ICD has institutionalised this framework, within its investment processes, by promoting a culture of risk-awareness and a balanced risk-taking approach. Since ICD's goal is to maximise long-term shareholder value, the risk-reward decisions are not determined on the basis of short-term gains.

Broadly, ICD is exposed to two types of risk: strategic risk and financial risk.

### **Strategic Risk**

Strategic risk is the risk of loss arising from, among other things, the pursuit of an unsuccessful business plan, from inadequate resource allocation or from a failure to appropriately respond to changes in the business environment.

ICD believes that its investment strategy of investing only in commercially viable companies that are capable of producing appropriate long-term risk-adjusted returns, together with its stringent investment vetting process (see "*Planning and Investment Process*"), enables it to adequately manage and mitigate strategic risk. As ICD implements its long-term investment strategy, ICD's exposure to Dubai and the UAE as a proportion of its overall portfolio may decrease. Further, there are a number of key sectors, which are not currently represented in ICD's investment portfolio and in which ICD may seek investment opportunities in the future. By diversifying its investments across broader sectors and geographies ICD seeks, over time, to, among other things, reduce sector and geographic concentration risks.

## **Financial Risk**

ICD is exposed to the following financial risks: (i) credit risk; (ii) liquidity risk; and (iii) market risk, each of which is summarised, at the Group level, in "*Operating and Financial Review – Qualitative Disclosures about Financial Risk Management*" above. Given ICD's strategy to diversify its portfolio (both in terms of sectors and geography), ICD anticipates that it will continue to be exposed to these financial risks.

In order to manage such risks, ICD takes measures, in accordance with the guidelines of its risk management framework, to, among other things, place its cash with reputable banks, investigate and rely on the credit ratings of counterparties and appropriately limit the extent and duration of any financial transactions to be concluded.

The main risk strategies for interest, currency and liquidity management, and the objectives and principles governing ICD's financing are determined by the Risk Management Committee. Hedging decisions are made on the basis of ICD's financial and liquidity forecasts.

ICD is currently exposed to minimal exchange rate risk, as the vast majority of its investments, income and liabilities are denominated in dirhams (which is pegged to the U.S. dollar) and U.S. dollars. Accordingly, ICD does not currently engage in any currency hedging activity. In addition, ICD does not currently engage in any interest rate hedging transactions as the prevailing market interest rates affecting ICD's borrowings remain at acceptably low levels. However, ICD's global investment strategy and future movements in interest rates, among other things, may in the future result in a need for more active management of exchange rate, interest rate and other financial risks.

## **Risk Management Framework and Governance**

The key features of ICD's risk management framework are:

- risk management is embedded in ICD and throughout the Group as an intrinsic process and is a core competency required of all its employees;
- the Board has overall responsibility and provides overall risk management direction and oversight in respect of ICD;
- ICD's risk appetite is determined by the Executive Committee, working with the Risk Management Committee, and is approved by the Board; and
- credit, market, operational and liquidity risks are managed in a coordinated manner within ICD.

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

- policies, procedures and methodologies are consistent with ICD's risk appetite;
- ICD's overall business strategy is consistent with its risk appetite; and
- appropriate risk management architecture and systems are developed and implemented.

The risk management framework enables ICD to identify, assess, manage and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- credit risk in commercial and consumer lending, collateral coverage ratios, limit utilisations and past due alerts;

- quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis); and
- quantification of exposures to losses due to extreme and sudden movements in market prices or rates.

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.

At the portfolio level, the boards of directors of each of ICD's portfolio companies have responsibility for establishing their own risk management frameworks and analysing and managing their respective risk exposures.

## **INFORMATION TECHNOLOGY**

ICD seeks to ensure that its IT systems and software meet the requirements of its business, are effectively maintained and are kept up to date. ICD has an in-house IT team responsible for IT infrastructure and support.

ICD's IT strategy is closely integrated with its overall business strategy. The technology architecture provides a solid foundation for ICD to execute its long-term growth strategy across its various lines of businesses. ICD's technology is based on a scalable and robust enterprise support system designed to be resilient and secure. ICD's IT processes and procedures are adapted from international best practices in the field of IT service management. ICD continuously strives to optimise its IT infrastructure with the goal of achieving the highest possible return on investment in technology.

ICD has implemented disaster recovery policies to ensure that critical systems and data continue to be fully operational at all times. ICD carries out daily and other periodic data backups which are stored at a location away from its head office.

## **LEGAL PROCEEDINGS**

ICD is not involved in, and is not aware of any member of the Group being involved in, any litigation, arbitration or administrative proceedings relating to claims which could have a material adverse effect on its financial condition and the results of operations and is not aware of any such litigation, arbitration or administrative proceeding that is pending or threatened.

Therefore no material provision has been made as at 31 December 2012 and as at 30 June 2013 regarding any outstanding legal proceedings against ICD or the Group.

## **RECENT DEVELOPMENTS**

### **ICD Real Estate Department**

In July 2013, ICD established a real estate department to manage the Deira Waterfront (**DWF**) development project. DWF is an AED 3 billion (\$816 million) real estate development stretching more than four kilometres between Dubai Creek and Hamriya Port. The DWF development project will include six hotels, residential and commercial towers, a marina, storage facilities, loading and unloading bays and a car park.

### **Brookfield**

In 2013, ICD and Brookfield Asset Management Inc. (**Brookfield**) entered into a joint venture for the establishment of a real estate fund in the Dubai International Financial Centre (the **DIFC**). The fund, which is currently under formation, will target real estate opportunities in Dubai. The fund manager, incorporated in the DIFC and regulated by the Dubai Financial Services Authority, is jointly owned by ICD and Brookfield.



### **Atlantis and Kerzner International Holdings Limited**

On 5 December 2013, ICD announced that it had agreed to purchase 100 per cent. of Atlantis, The Palm Limited in Dubai from Istithmar World. The transaction is subject to required approvals and is expected to be completed in the second quarter of 2014. The resort will continue to be managed by long term partner, KIHHL.

On 3 April 2014, ICD announced that it acquired a stake of over 40 per cent. of KIHHL. Istithmar World PJSC and certain affiliates of Goldman Sachs and Colony Capital will continue to have significant holdings in KIHHL. KIHHL is a leading international developer and operator of destination resorts and luxury hotels. KIHHL operates globally under the world renowned One&Only and Atlantis brands with, significantly, three resorts in Dubai, as well as two resorts in The Bahamas and resorts in Mauritius, The Maldives, Mexico and South Africa.

These acquisitions are strategic investments by ICD to increase its exposure to the hospitality and tourism sector in Dubai.

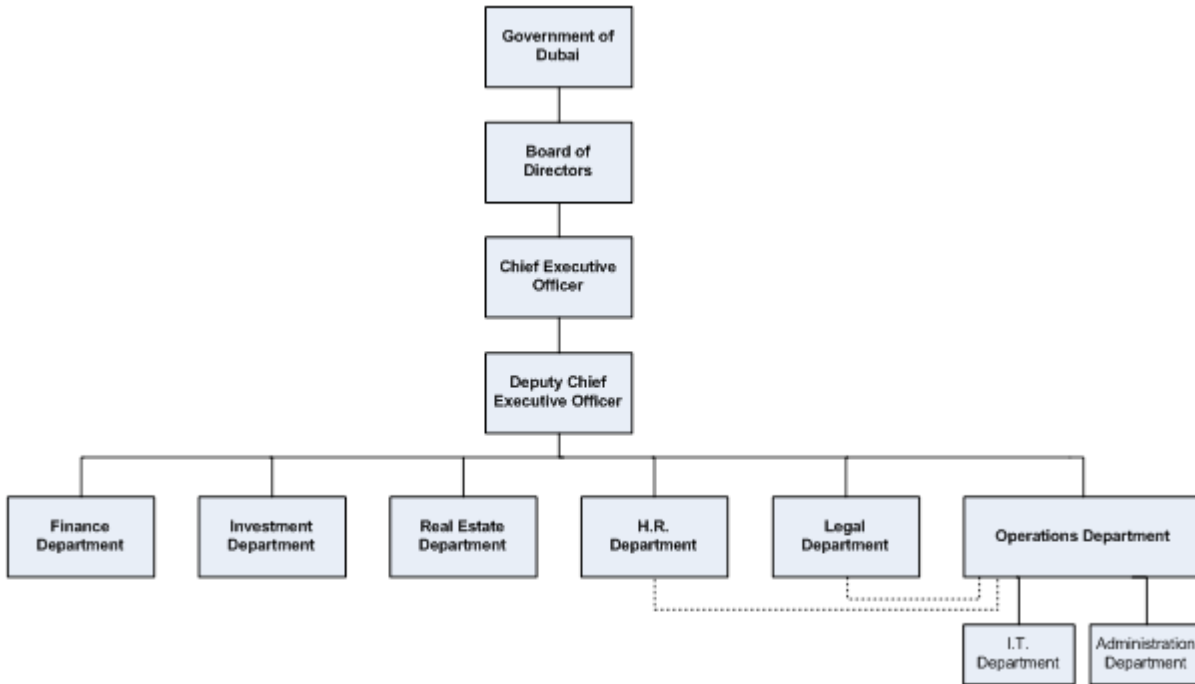
### **Emirates Global Aluminium PJSC**

In June 2013, ICD agreed with Mubadala to unite the operations of DUBAL and EMAL, under a newly created jointly-owned holding company, EGA. EGA was incorporated on 27 March 2014 with ICD and Mubadala each holding (indirectly) 50 per cent. of the shares in EGA. This agreement builds on the successful partnership that began with the formation of EMAL in 2006, a joint venture between Mubadala and DUBAL.

EGA's principal assets are the aluminium smelter companies, EMAL and DUBAL, and Guinea Alumina Corporation, Ltd. (GAC), a bauxite mining and alumina refining development project in the Republic of Guinea.

## MANAGEMENT

### Management Structure



### Directors

Pursuant to a decree of H.H. The Ruler of Dubai (*Decree No. 17 of 2012 Forming the Board of Directors of the Investment Corporation of Dubai*) the following were, in November 2012, appointed to, and currently sit on, the Board, each for a term of three years, under the Chairmanship of H.H. Sheikh Mohammed bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE and The Ruler of Dubai:

<b>Name</b>	<b>Title</b>
His Highness Sheikh Mohammed bin Rashid Al Maktoum	Chairman
His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum	Vice Chairman
His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum	Director
His Highness Sheikh Ahmed bin Saeed Al Maktoum	Director
His Excellency Mohammed Ibrahim Al Shaibani	Executive Director

The Board guides the strategic direction of ICD and reviews the operating and financial position of ICD and the Group. The Board has established certain management committees in order to perform its functions efficiently (see "*Management Committees*").

See also "*Relationship with the Government*".

Brief biographies of each of the members of the Board are set out below:

#### ***His Highness Sheikh Mohammed bin Rashid Al Maktoum***

H.H. Sheikh Mohammed bin Rashid Al Maktoum is the Vice President and Prime Minister of the UAE and The Ruler of Dubai.

***His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum***

H.H. Sheikh Hamdan bin Mohammed bin Rashid al Maktoum is the Crown Prince of Dubai and Chairman of the Dubai Executive Council.

***His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum***

H.H. Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum is the Deputy Ruler of Dubai and Deputy Chairman of the Dubai Executive Council.

***His Highness Sheikh Ahmed bin Saeed Al Maktoum***

H.H. Sheikh Ahmed bin Saeed Al Maktoum is the President of the Dubai Civil Aviation Authority and Chairman and Chief Executive of the Emirates Group. In addition, he is Chairman of the Supreme Fiscal Committee of the Government, Chairman of Dubai Airports, Chairman of DAFZA, Deputy Chairman of the Dubai Executive Council and a member of the board of the General Civil Aviation Authority of the UAE.

***His Excellency Mohammed Ibrahim Al Shaibani***

H.E. Mohammed Ibrahim Al Shaibani serves as the Executive Director and Chief Executive Officer of ICD. He is also the Director General of H.H. The Ruler's Court of the Government. H.E. Mohammed Ibrahim Al Shaibani also holds the position of President at the Dubai Office, a private management office for the Royal Family of Dubai, he is a member of the Dubai Executive Council and he is the Chairman of the board of directors of DIB.

The business address of each of the members of the Board is Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE.

No member of the Board has any actual or potential conflict of interest between his duties to ICD and his private interests or other duties.

**Senior Management**

ICD's day-to-day management is conducted by the following senior managers (the **Senior Managers**):

<b>Name</b>	<b>Position</b>
His Excellency Mohammed Ibrahim Al Shaibani.....	Chief Executive Officer
Khalifa Al Daboos .....	Deputy Chief Executive Officer
Abdulla Al Qubaisi .....	Operations Director
Hassan Al Nahdi .....	Head of Finance
Simon Harland .....	Director of Investment Structuring
Susy Aryani Singgih .....	General Counsel

Brief biographies of each of the Senior Managers are set out below:

***His Excellency Mohammed Ibrahim Al Shaibani, Chief Executive Officer***

See "– Directors" above.

***Mr. Khalifa Al Daboos, Deputy Chief Executive Officer***

Mr. Khalifa Al Daboos is the Deputy Chief Executive Officer of ICD. His experience spans 22 years, holding senior positions with leading investment and financial institutions in the UAE.

Mr. Al Daboos' previous roles include heading the Investment Department at the Government's Department of Finance in H.H. The Ruler's Court of the Government. He began his career with ENBD in various treasury, foreign exchange and capital market functions.

Mr. Al Daboos is currently the Chairman of National Bonds and Aswaaq LLC, and also sits on the boards of directors of organisations including, among others, DAE, Emirates Investment & Development PSC, SmartStream Technologies Limited, the Economic Development Committee of the Executive Council and DUBAL Holding LLC.

***Mr. Abdulla Al Qubaisi, Operations Director***

Mr. Abdulla Al Qubaisi is the Operations Director of ICD. In addition, he is the Chairman of Emirates Refreshments Company, the Vice Chairman of Emirates Rawabi PJSC and a member of the board of Aswaaq LLC.

Mr. Al Qubaisi joined ICD in April 2012. He began his career in 1991 with Dubai Customs. He moved to Dubai Ports Authority as a Marine Pilot in 1992 and began a 20 year career in the nautical and shipping industry reaching the position of Assistant Director of the Jebel Ali Port, Marine Department.

Mr. Al Qubaisi obtained a Bachelor of Science in Hydrographic Survey and a Master of Science in Port Management from the World Maritime University in Malmo, Sweden. He remains a Visiting Scholar at the World Maritime University.

***Mr. Simon Harland, Director of Investment Structuring***

Mr. Simon Harland is the Director of Investment Structuring of ICD. Mr. Harland, who joined ICD in early 2008, has over 18 years corporate finance and business advisory experience.

Prior to joining ICD, Mr. Harland was an Associate Director within the Transaction Advisory Services division of Ernst & Young, advising both corporate and financial sponsor clients on a multitude of private equity and public market transactions covering a range of industry sectors and geographies. Initially based in London, Mr. Harland was also seconded to the Sydney and Abu Dhabi practices of Ernst & Young.

Mr. Harland originally commenced his career with Arthur Andersen in the UK where he qualified as chartered accountant. He also holds a joint Bachelor of Science degree in Mathematics and Economics from Bristol University, UK and a Master of Applied Finance from Macquarie University, Sydney, Australia.

***Mr. Hassan Al Nahdi, Head of Finance***

Mr. Al Nahdi is the Head of the Finance Department of ICD. He is also a member of the audit committees of various ICD portfolio companies and a member of the board of Aswaaq LLC.

Mr. Al Nahdi joined ICD in 2010 as part of a special task force to manage the debt restructuring process of Government related entities. He subsequently transferred to the Investment Department of ICD where he has participated in many significant transactions and had oversight of the performance review process of ICD's portfolio companies.

Prior to joining ICD, Mr. Al Nahdi worked at Ernst & Young in its Audit and Assurance department, during which time he participated in numerous audits of large multinational organisations and family owned companies.

Mr. Al Nahdi has a Bachelor of Science in Accounting and Finance from the University of Essex, UK and is a member of the Association of Chartered Certified Accountants.

***Ms. Susy Aryani Singgih, General Counsel***

Ms. Susy Aryani Singgih is the Legal Director and General Counsel of ICD. Ms. Singgih transferred to ICD in April 2012 from her previous role as Head of the Government Contracts and Agreements Directorate at the Government's Legal Affairs Department in H.H. The Ruler's Court of the Government.

Ms. Singgih has previously also held senior positions at Standard Chartered Bank in Dubai, where she was the Regional Head of Legal, Wholesale Bank for the Middle East, Africa and Pakistan region, and the Royal Bank of Scotland in Dubai, where she was the Regional Head of Legal for Financial Markets. Prior to moving to Dubai, she was Head of Legal at Westdeutsche Landesbank Girozentrale, Tokyo Branch, Japan, having worked previously for international law firms including Denton Wilde Sapte and White & Case in Asia.

After graduating with a Bachelor of Law Degree from the University of Birmingham, Ms. Singgih obtained a Master's Degree in Corporate and Commercial Law from King's College, University of London. Ms. Singgih was admitted as a Solicitor of England & Wales after qualifying as a Barrister-at-Law and is a member of The Honourable Society of Lincoln's Inn.

The business address of each of the Senior Managers is Dubai International Financial Centre, Gate Village 7, 6th Floor, P.O. Box 333888, Dubai, UAE.

No Senior Manager has any actual or potential conflict of interest between his duties to ICD and his private interests or other duties.

**Committees**

ICD has established a number of committees, which include the following:

***Executive Committee***

The Executive Committee comprises two members of the Board. The Executive Committee is primarily responsible for:

- reviewing ICD's strategic plan and mission;
- formulating policies and guidelines to manage ICD's capital resources effectively (taking into account, on an ongoing basis, a wide range of factors, including macroeconomic indicators, jurisdictional mobility of capital and political stability of investment jurisdictions);
- instituting the policies and procedures relating to the governance and operations of ICD;
- reviewing and approving major business decisions;
- providing oversight on ICD's investment functions and to evaluate and approve ICD's investment policies;
- evaluating and approving all investment transactions, including mergers, acquisitions, divestitures, restructurings, reorganisations and any other form of investments, including the underlying financing, made on behalf of ICD; and
- reviewing and approving matters related to financing, funding and risk management.

The Executive Committee meets between meetings of the Board or as and when required.

### ***Investment Management Committee***

The Investment Management Committee comprises three members. This committee is primarily responsible for:

- providing oversight on ICD's investment functions and evaluating ICD's investment policies; and
- evaluating all investment transactions, including mergers, acquisitions, divestitures, restructurings, reorganisations and any other form of investments, including transaction related financing, made on behalf of ICD.

The Investment Management Committee meets as and when required and at the request of the Executive Committee.

### ***Risk Management Committee***

The Risk Management Committee comprises representatives from ICD's Investment, Finance, Operations, Legal and Risk Management departments. This committee is primarily responsible for:

- providing oversight on ICD's investment functions and evaluating and approving ICD's risk (including investment risk) management policies;
- identifying key business risks and assessing the risk environment in which ICD operates;
- evaluating the effectiveness of risk mitigation activities and providing direction for the allocation of resources and assignment of responsibilities for activities addressing business risks; and
- implementing an Enterprise Risk Management infrastructure for continuous risk monitoring at the ICD and portfolio levels.

The Risk Management Committee meets on a monthly basis.

### ***Management Committee***

The Management Committee comprises the senior management of ICD. It is the Management Committee's responsibility to:

- oversee the day to day operational activities of ICD; and
- execute, implement and manage directives introduced by the Executive Committee.

The Management Committee meets at least six times a year.

### **Employees**

As of 30 June 2013, ICD had approximately 40 employees and the consolidated companies in the Group had approximately 100,000 employees.

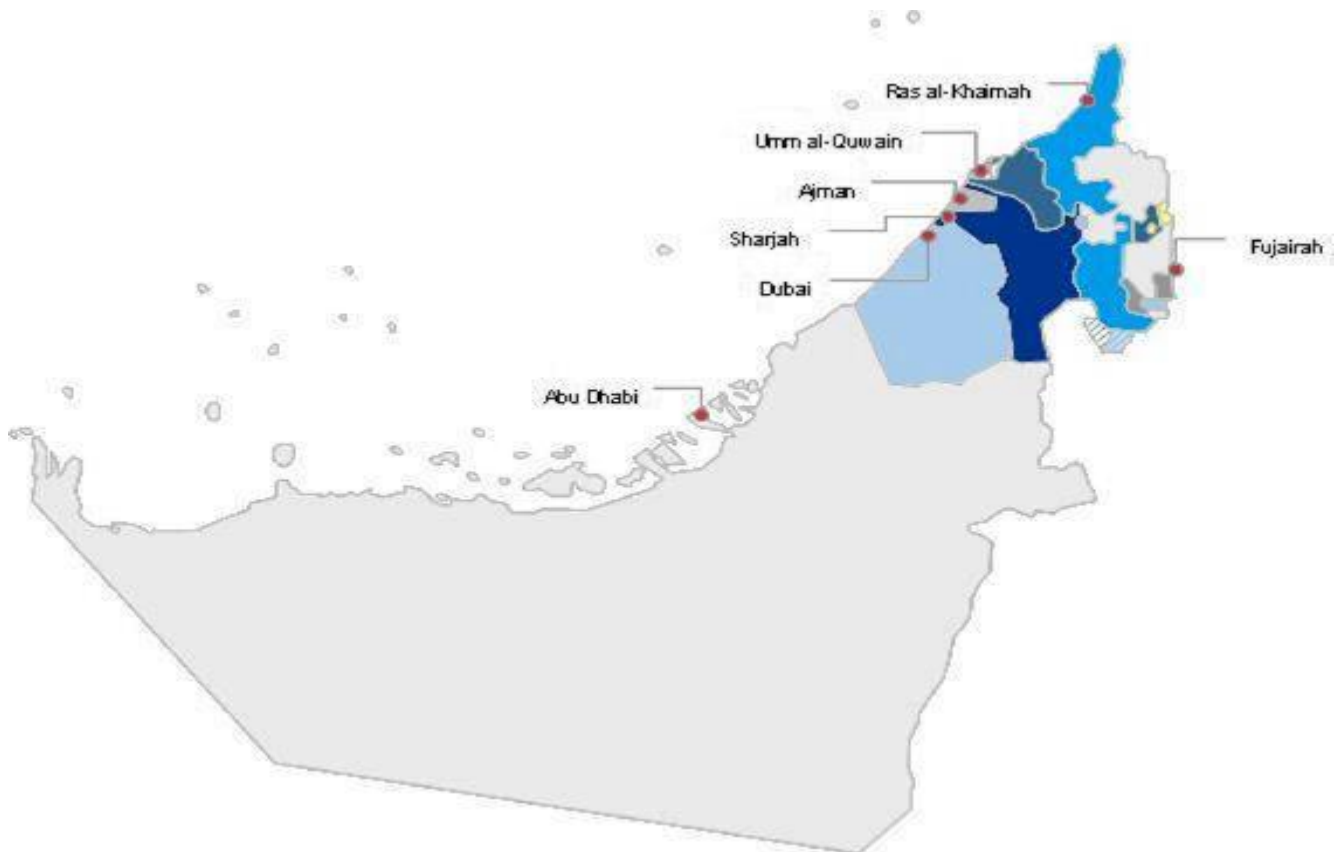
For related party transactions, see "*Operating and Financial Review – Related Party Transactions*".

## OVERVIEW OF THE UNITED ARAB EMIRATES AND THE EMIRATE OF DUBAI

### Introduction

Dubai is one of seven Emirates which together comprise the UAE. The federation was established on 2 December 1971. On formation, the federation comprised the following Emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah. Ras Al Khaimah joined in February 1972. The President of the UAE is H.H. Sheikh Khalifa bin Zayed Al Nahyan who is also The Ruler of Abu Dhabi. The Ruler of Dubai is H.H. Sheikh Mohammad bin Rashid Al Maktoum who is also the Vice President and Prime Minister of the UAE.

### Location and Geography



Dubai is the second largest Emirate in the UAE after Abu Dhabi, and is situated on the west coast of the UAE in the south-western part of the Arabian Gulf. It covers an area of approximately 4,357 square kilometres and lies at a longitude of approximately 55 degrees east and a latitude of 25 degrees north. Except for a tiny enclave in the Hajar Mountains at Hatta, Dubai comprises one contiguous block of territory.

The UAE as a whole extends along the west coast of the Arabian Gulf, from the base of the Qatar peninsula to Ras Al Khaimah in the North and across the Mussandum peninsula to the Gulf of Oman in the East, covering an area of approximately 83,600 square kilometres in total.

### Population

#### *Population of the UAE*

The population of the UAE, based on a census carried out in 2005 and according to the UAE National Bureau of Statistics (the NBS) was approximately 4.1 million, of whom approximately 1.3 million resided in Dubai. The NBS has estimated the population of the UAE to be approximately 8.3 million in 2010. The Dubai

Statistics Centre has estimated the population of Dubai to be approximately 2.1 million as at 31 December 2012.

The populations of both the UAE and Dubai have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the UAE has developed. The following table illustrates this growth since 1985 for the UAE:

	<u>2010</u>	<u>2005</u>	<u>1995</u>	<u>1985</u>
Total population.....	8,264,070 <sup>(1)</sup>	4,106,427	2,411,041	1,379,303
Dubai population.....	1,905,476	1,321,453	689,420	370,788

Source: Official UAE Census Data (NBS) and Dubai Statistics Centre.

(1) NBS estimate.

### ***Population of Dubai***

The following table sets out the estimated population of Dubai as at 31 December for each of the years indicated:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total population.....	2,105,875	2,003,170	1,905,476	1,770,978

Source: Dubai Statistics Centre.

The majority of the population of Dubai is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. As at 31 December 2012, approximately 76.1 per cent. of the population was estimated to be male and 23.9 per cent. female, reflecting the large male expatriate workforce.

According to the Dubai Statistics Centre, as at 31 December 2012, it was estimated that approximately 15.1 per cent. of the population of Dubai was 19 years of age or under, 29.7 per cent. of the population was between 20 and 29 years of age, 34.5 per cent. of the population was between 30 and 39 years of age, 14.8 per cent. of the population was between 40 and 49 years of age and 5.9 per cent. of the population was 50 years of age or older. Education and training are an important strategic focus for Dubai. The literacy rate in Dubai for persons at or above the age of 15 was estimated at 96.6 per cent. in 2012 (source: Dubai Statistics Centre).

## **Economy**

### ***Economy of the UAE***

The UAE is the second largest economy in the GCC after Saudi Arabia. According to OPEC data, at 31 December 2012, the UAE had approximately 6.6 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world) and export of petroleum products generated U.S.\$118.1 billion for the year ended 31 December 2012 (being 33.7 per cent. of the total value of exports and 30.8 per cent. of the nominal gross domestic product (GDP) of the UAE).

The NBS has estimated that real GDP in the UAE for 2012 was AED 1,025.6 billion, representing a real GDP growth rate of 4.4 per cent., reflecting an increase in oil prices and the general economic recovery in all sectors in the wake of the global economic crisis. Based on International Monetary Fund (IMF) data (extracted from the World Economic Outlook (October 2013)) real GDP growth in the UAE increased by 4.4 per cent. in 2012, 3.9 per cent. in 2011 and 1.7 per cent. in 2010, having decreased by 4.8 per cent. in 2009.



The table below shows the UAE's nominal and real GDP and nominal and real GDP growth rates for each of the years indicated:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Nominal GDP (AED millions).....	1,409,502	1,280,215	1,055,557	935,766
Nominal GDP growth (%) .....	10.1	21.3	12.8	(19.2)
Real GDP (AED millions) .....	1,025,623	982,725	946,021	930,475
Real GDP growth (%) .....	4.4	3.9	1.7	(4.8)

Source: Dubai Statistics Centre, NBS.

Although it has one of the most diversified economies in the GCC, the UAE's wealth remains largely based on oil and gas. Whilst, fluctuations in energy prices do have a bearing on economic growth, the UAE is generally viewed as being less vulnerable than some of its GCC neighbours, due to the growth in non-oil sectors, particularly trading, hotels and restaurants and manufacturing.

On 12 December 2013, Moody's Investors Service Singapore Pte. Ltd. reaffirmed the UAE's long-term credit rating of Aa2 with a stable outlook. The UAE is not rated by other rating agencies. Moody's Investors Service Singapore Pte. Ltd. is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The rating has been endorsed by Moody's Investors Service Ltd (**Moody's**) in accordance with the CRA Regulation. Moody's is established in the European Union and is registered under the CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

### ***Economy of Dubai***

Dubai has a diversified economy which has demonstrated renewed growth, with real GDP increasing by approximately 3.3 per cent. in 2011 and 4.4 per cent. in 2012 after the effects of the global economic recession led to a decrease in real GDP in 2009. Since the UAE was established, when approximately 50 per cent. of Dubai's GDP was oil-related, Dubai's reliance on oil has decreased significantly, with the mining, quarrying and oil and gas sector accounting for 1.5 per cent. of real GDP in 2012.

The table below shows Dubai's real GDP and real GDP growth rates for each of the years indicated:

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Nominal GDP (AED millions).....	333,705	315,392	303,595 <sup>(1)</sup>	294,157
Nominal GDP growth (%) .....	5.8	3.9	3.2	(14.2)
Real GDP (AED millions) .....	318,379	304,989	295,256	285,162
Real GDP growth (%) .....	4.4	3.3	3.5	(2.7)

(1) Does not include the Non-Profit Organisations sector.

Source: Dubai Statistics Centre, NBS.

The real GDP of Dubai in 2012 equalled 31.0 per cent. of the real GDP of the UAE in the same year. In 2011 and 2010, the equivalent proportions were 31.0 per cent. and 31.2 per cent., respectively. Dubai's real GDP per capita in 2012 was approximately U.S.\$41,167, based on an assumed population of 2,105,875 and an exchange rate of U.S.\$1.00 = AED 3.6725.

Within Dubai, no single economic sector contributed more than 31 per cent. to total real GDP in 2012, with the largest sector being the wholesale and retail trade and repairing services sector which contributed AED 96.3 billion, or 30.3 per cent., of Dubai's real GDP, reflecting Dubai's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning Dubai as a trading centre. Other significant contributors to real GDP in 2012 include the manufacturing sector, which contributed AED 48.9 billion, or 15.4 per cent., to real GDP; the transport, storage and communications sector, which contributed AED 45.8 billion, or 14.4 per cent., to real GDP; the real estate and business services sector, which contributed AED 39.9 billion, or 12.5 per cent., to real GDP; the financial services sector, which contributed AED 35.4 billion, or 11.1 per cent., to real GDP and the construction sector, which contributed AED 24.8 billion, or 7.8 per cent., to real GDP. Together, these six sectors contributed 91.5 per cent. of total real GDP in 2012. By contrast, the government services sector contributed 5.6 per cent., the restaurants and hotels sector contributed 4.5 per cent. and the mining, quarrying and oil and gas sector contributed 1.5 per cent. to real GDP in 2012.

In terms of growth, the four strongest principal sectors in recent years have been the electricity and water sector, with a compound annual GDP growth rate of 14.1 per cent. between 2009 and 2012; the restaurants and hotels sector, with a compound annual GDP growth rate of 12.5 per cent. between 2009 and 2012; the domestic services sector, with a compound annual GDP growth rate of 11.9 per cent. between 2009 and 2012; and the manufacturing sector, with a compound annual GDP growth rate of 11.6 per cent. from 2009 to 2012.

Significant growth sectors for Dubai in 2012 were manufacturing, restaurants and hotels, transport, storage and communications and electricity and water. The manufacturing sector grew by 13.0 per cent. in real terms in 2012 principally due to increased demand for non-oil exports from Dubai, particularly industrial exports. The restaurants and hotels sector grew by 16.9 per cent. in real terms in 2012 as a result of increased tourism and higher revenues in the hotel sector. The transport, storage and communication sector grew by 7.3 per cent. in real terms in 2012 as a result of growth in foreign trade levels, an increase in activity at domestic ports and airports (which increased demand for freight and transportation services) and increased revenues collected from the transport sector as a result of a higher number of passengers using public transport. The electricity and water sector grew by 4.8 per cent. in real terms in 2012 as a result of increased generation and consumption of electricity and water in Dubai. In addition, the wholesale and retail trade and repairing services sector grew by 2.3 per cent. in real terms in 2012, largely due to increased economic activity and imports, as this sector depends largely on imports.

In contrast, since the middle of 2008, and reflecting the global financial crisis and sharp falls in international oil and gas prices, there have been significant declines in real estate sales prices and rental rates in the UAE as a whole and a significant slowdown in construction activity. These factors adversely impacted Dubai's GDP in 2010 and 2011, with the real estate and construction sectors declining in real terms in 2010 by 2.6 per cent. and 14.7 per cent., respectively, and in 2011 by 2.6 per cent. and 5.7 per cent., respectively. However, in 2012, the real estate sector saw growth of 1.7 per cent., the first year of growth in that sector since 2008. In 2012, the construction sector saw a further decline of 4.2 per cent.

Each of the above sectors has benefitted from the Government's policies aimed at improving the business and investment environment and positioning Dubai as a regional hub, including specific high profile developments initiated by the Government and the establishment of a range of specialised free zones designed to attract new companies and investment. Other supply side factors supporting Dubai's longer-term economic growth have included the availability of labour and land for real estate development, significant levels of liquidity prior to late 2008 and increasing consumer wealth in the GCC and elsewhere, in part reflecting generally high oil and gas prices, an appropriate legal and regulatory framework and good infrastructure.

The Government continues to focus on economic diversification and in this respect is targeting the travel and tourism; financial services; professional services; transport and logistics; trade and storage and construction sectors in particular as areas for future growth.

The following table sets out Dubai's real GDP by economic activity and by percentage contribution, as well as the year-on-year growth rate, in the years 2009 to 2012:

Sector	2012			2011		
	AED million	% contribution	% growth	AED million	% contribution	% growth
Wholesale, retail trade and repairing services .....	96,337	30.3	2.3	94,135	30.9	5.8
Manufacturing .....	48,881	15.4	13.0	43,238	14.2	11.7
Transportation, storage and communication .....	45,782	14.4	7.3	42,672	14.0	2.7
Real estate and business services .....	39,869	12.5	1.7	39,219	12.9	(2.6)
Financial services.....	35,354	11.1	2.2	34,608	11.3	4.5
Construction.....	24,829	7.8	(4.2)	25,923	8.5	(5.7)
Government services.....	17,920	5.6	0.1	17,902	5.9	(3.1)
Restaurants and hotels.....	14,380	4.5	16.9	12,303	4.0	14.7
Social and personal services .....	6,333	2.0	3.2	6,134	2.0	4.1
Electricity and water .....	5,943	1.9	4.8	5,668	1.9	2.5
Mining, quarrying, oil and gas .....	4,727	1.5	1.0	4,681	1.5	(9.3)
Domestic services of households .....	1,678	0.5	2.1	1,644	0.5	14.4
Agriculture, livestock and fishing .....	433	0.1	(1.0)	437	0.1	0.7
Less: Imputed bank services .....	(24,084)	(7.6)	2.2	(23,577)	(7.7)	4.5
	<b>318,382</b>	<b>100.0</b>	<b>4.4</b>	<b>304,989</b>	<b>100.0</b>	<b>3.3</b>

Source: Dubai Statistics Centre.

Sector	2010			2009		
	AED million	% contribution	% growth	AED million	% contribution	% growth
Wholesale, retail trade and repairing services .....	89,002	30.1	4.5	85,158	29.9	(0.9)
Manufacturing .....	38,719	13.1	10.1	35,181	12.3	6.2
Transportation, storage and communication .....	41,542	14.1	9.2	38,044	13.3	7.4
Real estate and business services .....	40,286	13.6	(2.6)	41,373	14.5	(19.8)
Financial services.....	33,115	11.2	(3.8)	34,424	12.1	6.3
Construction.....	27,494	9.3	(14.7)	32,214	11.3	(19.5)
Government services.....	18,474	6.3	20.9	15,275	5.4	36.8
Restaurants and hotels.....	10,729	3.6	6.3	10,094	3.5	4.6
Social and personal services .....	5,894	2.0	0.8	5,845	2.0	12.1
Electricity and water .....	5,532	1.9	38.3	4,000	1.4	5.7
Mining, quarrying, oil and gas .....	5,159	1.7	(4.0)	5,374	1.9	(0.9)
Domestic services of households .....	1,437	0.5	19.8	1,199	0.4	12.8
Agriculture, livestock and fishing .....	434	0.1	0.7	431	0.2	3.1
Less: Imputed bank services .....	(22,559)	(7.5)	(3.8)	(23,451)	(8.2)	6.3
	<b>295,256</b>	<b>100.0</b>	<b>3.5</b>	<b>285,162</b>	<b>100.0</b>	<b>(2.7)</b>

Source: Dubai Statistics Centre.

### *Recent Developments and Credit Improvements*

While 2009 and 2010 were difficult years for Dubai with the overhang of the global recession, the debt crisis and a decline in the construction and real estate sectors, appropriate steps were taken to lead Dubai towards a recovery. Steps included a series of countercyclical measures, including fiscal and monetary stimuli implemented by the Government.

Dubai World reached a debt restructuring settlement with its creditors in September 2010, helping ease concerns and uncertainties around the debt crisis and provided a boost to investor confidence. Since then, Dubai has successfully refinanced its debt benefiting from its status as a regional safe haven amid the recent political unrest in the MENA region.

### **Governance, Legislation and Judiciary**

The original constitution of the UAE (the **Constitution**) was initially provisional and provided the legal framework for the federation. The Constitution was made permanent pursuant to a constitutional amendment in May 1996.

The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of the seven Emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Foreign Affairs, Defence, Justice, Finance and Economy. Although most of the federal government ministries are based in Abu Dhabi, many also maintain offices in Dubai. The UAE's monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank.

Article 122 of the Constitution states that the Emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the federation, in accordance with the provision of the preceding two Articles.

The individual Emirates are given flexibility in the governance and management of their own Emirates. The Constitution permits individual Emirates to elect to maintain their own competencies in certain sectors. Based on this flexibility, Dubai has elected to assume responsibility for its own education, public health and judicial systems. The natural resources and wealth in each Emirate are considered to be the public property of that Emirate. Each Emirate manages its own budget on an independent basis and no Emirate has any obligation to contribute to the budget of any other Emirate. Each Emirate makes contributions to the federal budget in agreed amounts.

The following are the key entities in the structure of the federal government of the UAE:

- *Federal Supreme Council:* The UAE is governed by the Supreme Council. This is the highest federal governing body and consists of the rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

- *Federal Council of Ministers:* The Federal Council of Ministers (the **Cabinet**) is described in the Constitution as the executive authority for the federation and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the federation. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Based in Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of other Ministers. These Ministers are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

- *Federal National Council:* The Federal National Council (the **FNC**) is a parliamentary body which comprises 40 members who are UAE nationals. Each Emirate appoints members for a particular number of seats based on such Emirate's population and size. Abu Dhabi and Dubai have eight members each, Sharjah and Ras Al Khaimah have six members each and the other Emirates have four members each. The nomination of representative members is left to the discretion of each Emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual Emirates.

Presided over by a speaker, or either of two deputy speakers elected from amongst its members, the FNC has both a legislative and supervisory role under the Constitution. This means that it is responsible for examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the FNC is to discuss the annual budget of the UAE. Although the FNC can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself.

### *Emirate of Dubai*

The relationship between the federal government and the local governments of each Emirate is laid down in the Constitution and allows for a degree of flexibility in the distribution of authority. Dubai enjoys good relations with each of the other Emirates in the UAE. The Constitution states that each Emirate shall exercise all powers not assigned to the federation. Each Emirate has its own local government, consisting of departments or authorities, so that each Emirate retains significant political and financial autonomy.

The laws of Dubai are passed by decrees of H.H. The Ruler of Dubai, Sheikh Mohammed bin Rashid Al Maktoum, who is also the Vice-President and Prime Minister of the UAE. The Crown Prince of Dubai is Sheikh Hamdan bin Mohammed Al Maktoum. The Deputy Rulers are Sheikh Hamdan bin Rashid Al Maktoum and Sheikh Maktoum bin Mohammed Al Maktoum.

The key entities in the structure of the Government are: (i) The Ruler's Court; (ii) the Supreme Fiscal Committee (the **SFC**); and (iii) the Executive Council. The Dubai Department of Economic Development (the **DED**) and the Dubai Department of Finance (the **DoF**) are administrative bodies. All five of these entities have distinct roles:

- *The Ruler's Court:* Except in relation to applicable federal laws, H.H. The Ruler of Dubai is the sole legislator for Dubai and all Dubai laws are passed by His Highness after drafts of the laws have been approved by The Ruler's Court in consultation with the Executive Council. All other matters that require the involvement of H.H. The Ruler of Dubai are channelled through The Ruler's Court.
- *SFC:* The SFC was established (by *Decree No. 24 of 2007 Forming the Supreme Fiscal Committee in the Emirate of Dubai*) in November 2007 to formulate the financial policies of Dubai, establish and approve priorities, financing methods and completion dates for major Government projects, determine the public debt and expenditure limits and to issue recommendations in relation to key economic issues to H.H. The Ruler of Dubai. The SFC also aims to improve coordination between various Government

entities and to enable these entities to meet their respective development targets in a cost-efficient manner.

- *Executive Council*: The Executive Council seeks to ensure coordination amongst Government departments such as the courts, the police, the Health Authority, the Dubai Land Department, Dubai Airports, the DED and the Department of Tourism and Commerce Marketing. The Executive Council works with these departments to implement an overall strategy for the Government, while considering the requirements and strategies of each particular department. The Executive Council also works with the DoF to prepare an overall budget to fund the requirements of the various government departments. In addition to this broad coordination role, the Executive Council also recommends new laws and regulations, and is involved in the implementation of laws promulgated at both the Dubai and federal levels.
- *DED*: The DED is a regulatory and administrative body responsible for licensing and regulation of the business sector. All businesses operating in Dubai are required to be registered with and licensed by the DED. The DED also helps formulate the Government's policy in relation to economic planning and the promotion of Dubai as a business centre. The DED works closely with relevant government bodies such as the Ministry of Labour and the Real Estate Regulatory Authority (**RERA**).
- *DoF*: The DoF is the local ministry of finance and treasury for the Government. All revenues of the Government are collected within the DoF and all Government authorities are funded through the DoF. In addition, the DoF also functions as an administrative office of the SFC for executing and monitoring compliance with the SFC's decisions.

In addition to the above, ICD is the principal investment entity of the Government. ICD was formed in 2006 as a holding company for a series of investments that had previously been held directly by the DoF. ICD's role is to supervise the Government's investment portfolio, adding value through the implementation of best-practice corporate governance. After initial capitalisation by the Government, ICD is now self-funding and makes a contribution to the budget of the Government. See "*Description of ICD and the Group*".

### ***Legal and Court System***

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven Emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the Emirates individually); and (iii) *Shari'a* (Islamic law). The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the ruler or local government of each Emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-Emirate disputes and disputes between the federal government and the Emirates.

In accordance with the Constitution, three of the seven Emirates (Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective Emirates.

The judicial system in Dubai comprises: (i) a Court of First Instance; (ii) a Court of Appeal; and (iii) a Court of Cassation.

The laws and regulations of the DIFC are applied by the Dubai International Financial Centre Courts (the **DIFC Courts**), which are independent of the Dubai Courts and the UAE Federal Courts, and consist of a Court of First Instance and a Court of Appeal.

## Strategy of Dubai

Since the establishment of the UAE in 1971, Dubai has developed its status as a major city, enhancing the well-being of its people and creating an environment that attracts businesses and individuals. To support, maintain and develop this status, the Government intends to focus on: (i) achieving comprehensive development and building human resources; (ii) promoting economic development and government modernisation; (iii) sustaining growth and prosperity; (iv) protecting UAE nationals' interests, the public interest and well-being; and (v) providing an environment conducive for growth and prosperity in all sectors.

### *Dubai Strategic Plan 2015*

In 2007, the Government adopted a set of guiding principles for the various sectors that comprise the Dubai Strategic Plan 2015 (the **DSP 2015**). The aim of the DSP 2015 is to ensure an understanding of the Government's vision among all government entities and establish a common framework for the operations of these entities. The DSP 2015 focuses on the core areas of economic development, social development, security, justice and safety, infrastructure, land and development and government excellence.

The global economic crisis significantly impacted the Government's economic development plans and, as a result, the government is currently reassessing the stated aims of the DSP 2015 in the area of economic development. The DED has been given responsibility for revision of these aims. The stated aims of the DSP 2015 in all other areas remain unchanged.

For an overview of ICD's role in the DSP 2015, see "*Relationship with the Government – ICD's Role in Dubai's Development Strategy*".

### *Economic Development*

The DSP 2015 envisages that future economic growth will be focused on the following six sectors: travel and tourism; financial services; professional services; transport and logistics; trade and storage; and construction. These sectors were identified based on their then current status, international competitiveness, Dubai's capacity to develop them and the availability of necessary enabling factors. The DSP 2015 identifies seven enabling factors that need to be developed in parallel, namely human capital; productivity; science, technology and innovation; the cost of living and doing business; quality of life; economic policy and institutional framework; and laws and regulations.

Following the global economic crisis, the Government chose to reassess the economic growth and productivity goals set out in the DSP 2015. As part of this reassessment, which is still ongoing, the Government has prepared a medium term economic plan to be implemented through to 2015 (the **Medium Term Economic Plan**). The specific proposals and goals that have been included in the Medium Term Economic Plan are based on an evaluation which was performed on the growth and performance of Dubai's economy during the period from 2000 to 2010. This review includes a macroeconomic and microeconomic analysis, including an analysis of the various sectors of Dubai's economy during this time, as well as the identification of broad economic development trends such as the importance of increased trade relations with emerging Asian economies such as India and China, the rapid growth in Dubai's labour force since 2000, with total domestic employment growing by 251 per cent. between 2001 and 2009, and the increased importance of Dubai's free trade zones.

The Medium Term Economic Plan has three main goals: (i) reinforcing and growing Dubai's already established position as a regional and global hub for travel, tourism, trade, transportation and logistics services; (ii) promoting the expansion of Dubai's knowledge based economy by creating a regulatory and economic environment conducive for growing the financial and professional services industries, by attracting international companies to establish their headquarters in Dubai and by further establishing Dubai as a regional centre for the construction services industry; and (iii) encouraging major Dubai-based companies to expand globally, thereby deepening Dubai's interconnectedness with the global economy. Economic sectors such as retail and trade, transportation and logistics, manufacturing, tourism and financial services are therefore expected to remain important drivers of Dubai's economic growth in the future.

### *Social Development*

The DSP 2015 acknowledges that, for economic success to be sustainable, it is important that social development sector infrastructure be developed. To ensure that the social development sector is properly equipped to deliver the services required, the DSP 2015 set a number of development aims and strategies for achieving those aims.

### *Infrastructure, Land and Environment*

The strategic vision for this sector is to integrate infrastructure development and environmental focus in order to achieve sustainable development. Within this context, the Government aims to provide a sustainable, effective and balanced infrastructure including all elements such as energy, electricity, water, roads, transportation and waste management while protecting the environment.

### *Security, Justice and Safety*

The aims in this sector are to provide the infrastructure necessary to ensure human rights and public safety in light of the socio-economic environment and the global challenges faced by Dubai. In particular, there will be a focus on preserving security and order through improvements in the police force and border controls whilst ensuring the integrity and transparency of the security services and the protection of human rights. Crisis management and disaster contingency plans are to be developed to ensure the provision of necessary equipment and infrastructure in the event of a crisis.

In relation to justice, access to, and the administration of, justice is to be improved through a range of measures aimed at improving case management, the quality of the judiciary and the elimination of existing economic, geographic, legal and protective barriers that impede access to justice.

In terms of safety, relevant safety regulations are to be improved and safety awareness raised and legislation relating to public health is to be updated and developed.

### *Government Excellence*

Although the Government has made progress in enhancing public sector performance in recent years, including through modernising operations, introducing e-government initiatives and promoting the use of advanced technologies, Dubai's leadership remains committed to further enhancing the Government's ability to continuously provide world-class services.

## **International Relations**

Pursuant to Articles 120 and 121 of the UAE Constitution, foreign policy and international relations are a federal matter and, accordingly, Dubai does not enter into bilateral agreements with foreign governments.

The foreign policy of the UAE is based upon a set of guiding principles, laid down by the country's first President, Sheikh Zayed bin Sultan Al Nahyan. Within the Arabian Gulf region, and in the broader Arab world, the UAE has sought to enhance cooperation and to resolve disagreement through the pursuit of dialogue. Thus, one of the central features of the UAE's foreign policy has been the development of closer ties with its neighbours in the Arabian Gulf region. The GCC, which comprises the UAE, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman, was founded at a summit conference held in Abu Dhabi in May 1981.

At the broader level of the Arab world as a whole, the UAE is committed to rebuilding a sense of common purpose among both its people and its governments and, to this end, has supported the strengthening of common institutions, such as the League of Arab States. Beyond the Arab world, the UAE has pursued a policy of seeking, wherever possible, to build friendly relations with other nations, both in the developing and in the industrialised world. The UAE also maintains cordial relations with other regional states and has established good relations with the United States of America and the European Union as well as with developing nations in



Africa and many of the countries of the former Soviet Union. Since its establishment, the UAE has also played an active role in the provision of financial aid to developing countries and has been a contributor of emergency relief to countries and areas affected by conflict and natural disasters.

The UAE is an active participant in a number of multi-lateral developmental institutions, including the International Bank for Reconstruction and Development, the IMF, the International Development Agency and regional bodies like the OPEC Fund for International Development, the Arab Gulf Fund for the United Nations, the Arab Bank for Economic Development in Africa, the Abu Dhabi-based Arab Monetary Fund and the Islamic Development Bank.

The UAE has an ongoing dispute with Iran and is in continuing discussions with Saudi Arabia over border issues. Since 1971, the three Gulf islands of Abu Musa and Greater and Lesser Tunb have been occupied by Iran. The UAE believes that these islands should be returned to the Emirate of Sharjah, which claims sovereignty over them, and is seeking to resolve the dispute through bilateral negotiations or a reference to international arbitration.

The UAE is also seeking, through negotiation, to resolve issues related to the 1974 provisional and, as yet, unratified, agreement with Saudi Arabia on the border between the two countries, which the UAE believes should be substantially amended. In addition, the UAE is involved in discussions with the governments of Saudi Arabia and Qatar over a maritime corridor which Qatar has purported to grant to Saudi Arabia, from within Qatar's own maritime waters, but which crosses part of the route of the gas pipeline between Qatar and the UAE.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **Master Trust Deed, as supplemented by each Supplemental Trust Deed**

The Master Trust Deed was entered into on 6 May 2014 between ICD, the Issuer, the Trustee and the Delegate and is governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by English law.

Upon issue of the Global Trust Certificate initially representing any Series, the Master Trust Deed and each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series comprise (i) the cash proceeds of the issue of Trust Certificates pending the application thereof in accordance with the terms of the Transaction Documents, (ii) the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the relevant Lease Assets, (iii) the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Transaction Documents (other than in relation to any representations given to the Trustee or the Issuer by ICD pursuant to any of the Transaction Documents and any rights which have been waived by the Trustee in any of the Transaction Documents), (iv) any amounts standing to the credit of the relevant Transaction Account and all proceeds of the foregoing.

Each Trust Deed will specify that, on or after the relevant Maturity Date or any Dissolution Date of a Series, as the case may be, the rights of recourse in respect of the relevant Trust Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets of that Series, subject to the priority of payments set out in the Trust Deed, the relevant Trust Certificates and the Conditions. The Certificateholders have no claim or recourse against the Issuer or the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Trust Deed, the Trustee will, in relation to each Series, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the relative Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the relevant Trust Assets, distribute the income from the relevant Trust Assets and perform its duties in accordance with the provisions of the Trust Deed.

In the Master Trust Deed, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee has irrevocably and unconditionally appointed the Delegate to be its attorney and in its name and on its behalf to execute, deliver and perfect all documents and to exercise certain present and future powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders, the power to sub-delegate and the power to make any determinations to be made under each Trust Deed) vested in the Trustee by each Trust Deed that the Delegate may consider to be necessary or desirable in order to perform the present and future powers, authorities and discretions vested in the Trustee by the relevant provisions of each Trust Deed and the other Transaction Documents. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

The Delegate has undertaken in the Master Trust Deed that, following it becoming aware of the occurrence of a Dissolution Event in respect of any Series and subject to Condition 13, it shall (a) promptly notify the relevant Certificateholders of the occurrence of such Dissolution Event, and (b) subject to being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, enforce the obligations of ICD under the Transaction Documents to which ICD (acting in any capacity thereunder) is a party and/or take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

The Master Trust Deed specifies, *inter alia*, that in relation to each Series:

- (i) neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or realise the relevant Trust Assets or take any action against the Issuer, the Trustee and/or ICD (as applicable) under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then aggregate outstanding face amount of the Trust Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing;
- (ii) no Certificateholder shall be entitled to proceed directly against the Issuer and/or ICD under any Transaction Document unless the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing;
- (iii) after enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2, the obligations of the Issuer and the Trustee in respect of the Trust Certificates shall be satisfied and no holder of the Trust Certificates may take any further steps against the Issuer, the Trustee (to the extent that the Trust Assets have been exhausted), ICD (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates to recover any further sums in respect of the Trust Certificates and the right to receive any sums unpaid shall be extinguished. In particular, neither the Delegate nor any Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer or the Trustee nor under any circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole rights of the Trustee, the Delegate (acting on behalf of the Certificateholders) and the Certificateholders against ICD shall be to enforce its obligations under the Transaction Documents;
- (iv) the Issuer may from time to time, without the consent of the Certificateholders, create and issue additional trust certificates ranking *pari passu* in all respects (or in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series, with the Trust Certificates of such Series, and that any additional trust certificates which are to be created and issued so as to form a single series with the Trust Certificates of a particular Series shall be constituted by a trust deed supplemental to the Master Trust Deed; and
- (v) on the date upon which any sale agreement is entered into in connection with the creation and issuance of additional Trust Certificates pursuant to the provisions described in paragraph (iv) above and the Substitution and Purchase of Additional Assets Undertaking (being the relevant Issue Date for that Tranche of Trust Certificates), the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional trust certificates so created and issued, declaring that the relevant Additional Assets and the Lease Assets in respect of the relevant Series in existence immediately prior to the creation and issue of the additional trust certificates are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional trust certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

## **Purchase Agreement**

The Master Purchase Agreement was entered into on 6 May 2014 between ICD Sukuk Company Limited (in its capacity as Trustee and as Purchaser) and ICD (in its capacity as Seller) and is governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. A Supplemental Purchase Agreement between the same parties, together with, where applicable, any seller entity which is a separate legal entity wholly-owned (directly or indirectly) by ICD, will be entered into on the Issue Date of the first Tranche of each Series and will also be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, its rights, title, interests, benefits and entitlements to certain assets described in each Supplemental Purchase Agreement, free and clear of any encumbrance or other rights of third parties. The Purchaser and the Seller will agree that there will be no obligation to register the sale of such assets (to the extent such sale is registrable). The purchase price of the assets will be an equivalent amount to the proceeds of the issue of the first Tranche of the relevant Series of Trust Certificates. The relevant assets will comprise on the Issue Date those assets described in the schedule to the Supplemental Purchase Agreement.

## **Lease Agreement**

The Master Lease Agreement was entered into on 6 May 2014 between ICD (in its capacity as Lessee), ICD Sukuk Company Limited (in its capacity as Trustee and as Lessor) and the Delegate and is governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE. A Supplemental Lease Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by the laws of Dubai and, to the extent applicable in Dubai, the federal laws of the UAE.

Under the terms of the Lease Agreement, the Lessor will lease to the Lessee, and the Lessee will lease from the Lessor, the Lease Assets identified in each Supplemental Lease Agreement during renewable Rental Periods commencing on the relevant Lease Commencement Date (each as defined in the relevant Supplemental Lease Agreement) and extending to the relevant Maturity Date (unless the relevant Supplemental Lease Agreement is terminated earlier in accordance with its terms). The Lessor and the Lessee will agree that there will be no obligation to register the lease of the relevant Lease Assets (to the extent such lease is registrable).

The Lessee will agree to use the relevant Lease Assets at its own risk. Accordingly, the Lessee shall from the date of the relevant Supplemental Lease Agreement bear the entire risk of loss of or damage to the relevant Lease Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent that such loss or damage has resulted from the Lessee's negligence, default, or breach of its obligations under the Lease Agreement. In addition, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee's use or operation of the relevant Lease Assets.

Under the Lease Agreement, the Lessee will agree to be responsible, at its own cost and expense, for the performance of all Ordinary Maintenance and Repair (as defined in the Master Lease Agreement) required for the Lease Assets. The Lessor shall be responsible for: (i) the performance of all Major Maintenance and Structural Repair, (ii) the payment of any proprietorship or other relevant taxes, and (iii) insuring the Lease Assets, and the Lessee has acknowledged that the Lessor may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the Major Maintenance and Structural Repair on behalf of the Lessor, the payment of such taxes and the insurance of the Lease Assets.

All payments by the Lessee to the Lessor under each Lease Agreement shall be paid in full without any deduction or withholding for or on account of any Taxes unless required by law and without set-off (save as provided in the Servicing Agency Agreement) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Lessee will agree, in the relevant Supplemental Lease Agreement, to pay all additional amounts as will result in the receipt by the Lessor of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Lessee under each Lease Agreement will be direct, unconditional, unsubordinated and (subject to clause 6.1 of the Purchase Undertaking

and Condition 5.2 (as described below)) unsecured obligations of the Lessee and (subject as aforesaid) will rank at least *pari passu* with all other unsecured, unsubordinated and monetary obligations of the Lessee, present and future.

The rental amounts (less any Services Charge Amount incurred by the Lessor in relation to the relevant Lease Assets for the relevant period) payable under each Lease Agreement will equal the Periodic Distribution Amounts payable on the Periodic Distribution Dates for the relevant Series and will be payable on the same dates as the Periodic Distribution Amounts for the Series are payable or any earlier date on which the lease of the relevant Lease Assets is terminated in accordance with the terms of the Lease Agreement.

Each Lease Agreement will provide that it shall automatically terminate, but without prejudice to any right or remedy the Lessor may have under any Transaction Document or by law, if a Total Loss Event occurs and, in such a case, the Lessor will be entitled to all insurance proceeds payable as a result of the Total Loss Event, together with any accrued and unpaid rental to the date on which the Total Loss Event occurred.

### **Servicing Agency Agreement**

The Servicing Agency Agreement was entered into on 6 May 2014 by ICD (in its capacity as Servicing Agent) and ICD Sukuk Company Limited (in its capacity as Trustee and Lessor) and is governed by English law.

Pursuant to the Servicing Agency Agreement, the Servicing Agent is responsible on behalf of the Lessor for carrying out all Major Maintenance and Structural Repair (as defined in the Master Lease Agreement), the payment of proprietorship taxes levied or imposed on the Lease Assets and for effecting all appropriate insurances in respect of the Lease Assets. Wherever the Servicing Agent is to procure insurances in accordance with the terms of the Servicing Agency Agreement, it will use its reasonable endeavours to obtain such insurances on a *takaful* basis if such *takaful* insurance is available on commercially viable terms.

Notwithstanding the appointment of the Servicing Agent, the Lessee shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair required for the Lease Assets.

The Lessor shall reimburse the Servicing Agent any Services Charge Amount (as defined in the Servicing Agency Agreement) that has been incurred during a rental period on the Rental Payment Date falling at the end of such rental period in which the Services Charge Amount was incurred or, in the case of the final rental period, on the date of termination of the Lease.

An amount equal to the Services Charge Amount to be paid by the Servicing Agent (as Lessee under the Lease Agreement) to the Lessor as part of any: (i) rental; or (ii) Exercise Price under the Purchase Undertaking or the Sale Undertaking (as the case may be) may be set-off against the Services Charge Amount to be paid by the Lessor to the Servicing Agent under the Servicing Agency Agreement.

If a Total Loss Event occurs and the terms of the Servicing Agency Agreement relating to insurances are not strictly complied with by the Servicing Agent and as a result the amount (if any) credited to the Transaction Account in accordance with the Servicing Agency Agreement is less than the Full Reinstatement Value (as defined below) (the difference between the Full Reinstatement Value and the amount credited to the relevant Transaction Account being the **Total Loss Shortfall Amount**), then the Servicing Agent acknowledges that it shall have failed in its responsibility to properly insure the Lease Assets and accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of this Agreement relating to insurance) irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount, plus all other amounts then due and payable under the Transaction Documents, directly to the Transaction Account by no later than close of business on the 31st day after the Total Loss Event has occurred or, if such day is not a Payment Business Day, on the immediately following Payment Business Day. For these purposes, **Full Reinstatement Value** means the then aggregate face amount of the Trust Certificates plus all other amounts then due and payable by the Issuer under the Trust Certificates.

The Servicing Agent has agreed in the Servicing Agency Agreement that all payments by it under the Servicing Agency Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Servicing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

### **Purchase Undertaking**

The Purchase Undertaking was executed as a deed on 6 May 2014 by ICD (in its capacity as Obligor) in favour of ICD Sukuk Company Limited as trustee for the Certificateholders and the Delegate and is governed by English law.

The Obligor has, in relation to each Series, irrevocably undertaken in favour of ICD Sukuk Company Limited and the Delegate to purchase all of ICD Sukuk Company Limited's rights, title, interests, benefits and entitlements in, to and under the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) on the relevant Maturity Date or any Dissolution Date for the relevant Series at the relevant Exercise Price (being the aggregate face amount of the Trust Certificates of the relevant Series (or relevant proportion thereof, in the case of a redemption in part) then outstanding plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates plus (only where no Trust Certificate of the relevant Series is to remain outstanding) any Services Charge Amounts in respect of which an appropriate rental payment has not been made in accordance with the relevant Lease Agreement) plus any other amounts payable on redemption of such Trust Certificates as specified in the applicable Final Terms). If the Trustee or as applicable, the Delegate exercises its rights thereunder (otherwise than in connection with a Dissolution Event), an exercise notice will be required to be delivered by the Trustee or the Delegate under the Purchase Undertaking.

The Obligor has undertaken in the Purchase Undertaking to irrevocably and unconditionally fully accept all or any ownership interest ICD Sukuk Company Limited may have in the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) and, accordingly, not to dispute or challenge all or any ownership interest ICD Sukuk Company Limited may have in any way and that if (i) it breaches this undertaking or (ii) if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and entitlements of ICD Sukuk Company Limited in and to the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) or (iii) if the sale and purchase of any of ICD Sukuk Company Limited's rights, title, interests, benefits and entitlements in, to and under any part of the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) is not (or is alleged not to be) effective in any jurisdiction for any reason, the Obligor shall fully indemnify ICD Sukuk Company Limited in an amount equal to the Exercise Price payable.

The Obligor has also undertaken in the Purchase Undertaking that if, in relation to any Series, it fails to pay all or part of any Exercise Price when due (the **Outstanding Exercise Price**), it will automatically continue to lease the Relevant Lease Assets (or relevant proportion thereof, as applicable) from ICD Sukuk Company Limited and act as servicing agent in respect of the Relevant Lease Assets with effect from the date immediately following the due date for payment of the Outstanding Exercise Price until payment of the Exercise Price in full is made by it. For this purpose, **Relevant Lease Assets** means the Lease Assets of the relevant Series (or a part thereof having a value as near as possible to, but not less than, the amount in default).

The Obligor has agreed in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off (save in respect of any Services Charge Amounts forming part of the relevant exercise price) or counterclaim of any kind and, in the event that there is any deduction or withholding, the Obligor shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made. The payment obligations of the Obligor under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to clause 6.1 of the Purchase Undertaking and Condition 5.2) unsecured obligations of the Obligor and (subject as aforesaid) shall rank at least *pari passu* with all other unsecured, unsubordinated and monetary obligations of the Obligor, present and future.

The Obligor has covenanted in clause 6.1 of the Purchase Undertaking to comply with Condition 5.2. The Obligor will has agreed in such clause that the ICD Events applicable to it are set out in full in the Conditions and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions and the exercise right contained in clause 2.1(a) of the Purchase Undertaking.

### **Sale Undertaking**

The Sale Undertaking was executed as a deed on 6 May 2014 by ICD Sukuk Company Limited as trustee for the Certificateholders in favour of ICD and is governed by English law.

Pursuant to the Sale Undertaking and subject to ICD Sukuk Company Limited being entitled to redeem the Trust Certificates of the relevant Series in accordance with Condition 10.2 or Condition 10.3, ICD may, by exercising its right under the Sale Undertaking and by giving ICD Sukuk Company Limited not less than the minimum nor more than the maximum number of days notice specified in the applicable Final Terms prior to the relevant Dissolution Date, oblige ICD Sukuk Company Limited to sell all of its rights, title, benefits, interests and entitlements in, to and under the Lease Assets (or relevant proportion thereof, in the case of a redemption in part) of the relevant Series on the relevant Dissolution Date at the Exercise Price (being the aggregate face amount of the Trust Certificates of the relevant Series (or relevant part thereof, in the case of a redemption in part) then outstanding plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates plus (only where no Trust Certificate of the relevant Series is to remain outstanding) any Services Charge Amounts in respect of which an appropriate rental payment has not been made in accordance with the Lease Agreement plus any other amounts payable on redemption of such Trust Certificates as specified in the applicable Final Terms).

The relevant sale agreement to be entered into pursuant to the Sale Undertaking will provide that the price payable pursuant to the exercise of the Sale Undertaking will be made without any deduction or withholding for or on account of Taxes unless required by law and without set-off (save in respect of any Services Charge Amounts forming part of the relevant exercise price) or counterclaim and, in the event that there is any such deduction or withholding, ICD shall pay all additional amounts as will result in the receipt by ICD Sukuk Company Limited of such net amounts as would have been received by it if no deduction or withholding had been made.

In addition, under the terms of the Sale Undertaking, if at any time ICD wishes to cancel any Trust Certificates purchased pursuant to Condition 10.7, ICD may, by exercising its option under the Sale Undertaking (by serving an exercise notice on ICD Sukuk Company Limited) oblige ICD Sukuk Company Limited to transfer all of ICD Sukuk Company Limited's rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets (as defined in such exercise notice) to ICD in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Assets will take effect by ICD and ICD Sukuk Company Limited entering into a sale agreement (in the form scheduled to the Sale Undertaking). Following the entry into such sale agreement, ICD Sukuk Company Limited shall procure the cancellation of the relevant Trust Certificates identified for cancellation in the exercise notice on the Cancellation Date (which shall be a Periodic Distribution Date).

### **Substitution and Purchase of Additional Assets Undertaking**

The Substitution and Purchase of Additional Assets Undertaking was executed as a deed on 6 May 2014 by ICD Sukuk Company Limited and is governed by English law.

Pursuant to the Substitution and Purchase of Additional Assets Undertaking, ICD Sukuk Company Limited has granted to ICD the right to require ICD Sukuk Company Limited to (i) sell the Substituted Assets to it in exchange for New Assets of a value which is equal to or greater than the value of the Substituted Assets and/or (ii) in connection with the exercise by the Issuer of its rights under Condition 19, purchase all of ICD's, or as the case may be, the applicable seller entity's, rights, title, interests, benefits and entitlements in, to and under the Additional Assets in consideration for the payment by ICD Sukuk Company Limited (as purchaser) to ICD (as seller) of the purchase price therefor pursuant to the relevant sale agreement (such purchase price being

equal to the proceeds of the related issuance of Trust Certificates). The substitution of the Substituted Assets will become effective on the Substitution Date (as specified in the Substitution Notice to be delivered by ICD in accordance with the Substitution and Purchase of Additional Assets Undertaking) by ICD Sukuk Company Limited and ICD entering into a sale agreement and the relevant Lease Agreement being re-executed in the manner provided in the Substitution Notice. The purchase of the relevant Additional Assets will become effective on the Additional Assets Purchase Date (as specified in the Additional Assets Notice to be delivered by ICD in accordance with the Substitution and Purchase of Additional Assets Undertaking and being the date upon which the relevant sale agreement described below is entered into) by ICD Sukuk Company Limited, ICD and (if applicable) the relevant seller entity entering into a sale agreement and the relevant Lease Agreement being re-executed in the manner provided in the Additional Assets Notice. Each sale agreement entered into upon such substitution or (as applicable) purchase will (i) (in the case of a substitution) effect the transfer of ownership rights in the Substituted Assets from ICD Sukuk Company Limited to ICD and (ii) effect the transfer of ownership rights in the New Assets or (as applicable) Additional Assets from ICD (or, in the case of a purchase, the applicable seller entity where relevant) to ICD Sukuk Company Limited and (a) (in the case of a substitution) the Substitution Notice will provide that the New Assets and any relevant Lease Assets not replaced and/or (b) (in the case of a purchase) the Additional Assets Notice will provide that the existing Lease Assets and the Additional Assets, will in each case be leased to the Lessee under the new Lease Agreement.



## TAXATION

*The following is a general description of certain tax considerations relating to Trust Certificates issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates. Prospective purchasers of any Trust Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of the relevant Trust Certificates and receiving payments under those Trust Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### UNITED ARAB EMIRATES

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments on debt securities (including Periodic Distribution Amounts or Dissolution Amounts in relation to the Trust Certificates). In the event of the imposition of any such withholding, the Issuer has undertaken to gross-up any payments subject as described under Condition 11.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE having the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

### CAYMAN ISLANDS

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in Trust Certificates to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws payments on Trust Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Trust Certificates nor will gains derived from the disposal of Trust Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Issuer has obtained an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Issuer or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Trust Certificates. However, an instrument transferring title to any Trust Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates,

this annual registration fee is approximately U.S.\$854 (this may be increased from time to time by the Cayman Islands Government). The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

## **EU SAVINGS DIRECTIVE**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income, which may include Periodic Distribution Amounts, paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX**

The European Commission has published a proposal for a Directive for a common financial transactions tax (FTT) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Trust Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Trust Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Trust Certificates are advised to seek their own professional advice in relation to the FTT.

## FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Trust Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Trust Certificates characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Trust Certificates are issued before the grandfathering date, and additional Trust Certificates of the same series are issued on or after that date, the additional Trust Certificates may not be treated as grandfathered, which may have negative consequences for the existing Trust Certificates, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Cayman Islands have entered into an IGA based largely on the Model 1 IGA.

If the Issuer becomes a Participating FFI, the Issuer and financial institutions through which payments on the Trust Certificates are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Trust Certificates is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Trust Certificates are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Trust Certificates by the Issuer, any paying agent or the common depository, given that each of the entities in the payment chain between the Issuer and the participants in the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Trust Certificates. The documentation expressly contemplates the possibility that the Trust Certificates may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Trust Certificates will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on**

how these rules may apply to the Issuer and to payments they may receive in connection with the Trust Certificates.

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated on or around 6 May 2014, agreed with the Issuer and ICD a basis upon which they or any of them may from time to time agree to purchase Trust Certificates. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Trust Certificates*". In the Programme Agreement, the Issuer (failing which, ICD) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Trust Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

## SELLING AND TRANSFER RESTRICTIONS

### United States

The Trust Certificates have not been and will not be registered under the Securities Act nor any state securities law and may not be offered, sold or delivered within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state of the United States.

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer, sell or deliver any Trust Certificates (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Trust Certificates on a syndicated basis, the relevant lead manager, of all Trust Certificates of the Tranche of which such Trust Certificates are a part (the **distribution compliance period**), within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Trust Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Trust Certificates within the United States or to, or for the account or benefit of, U.S. persons. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Trust Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Trust Certificates, an offer or sale of Trust Certificates within the United States by any dealer that is not participating in the offering of the Trust Certificates may violate the registration requirements of the Securities Act. Each purchaser of any Trust Certificate and each subsequent purchaser of such Trust Certificates in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Trust Certificates will be deemed to have represented, warranted, agreed and acknowledged that:

- (a) it is, or at the time the Trust Certificates are purchased will be, the beneficial holder of such Trust Certificates and it has acquired the Trust Certificates in an offshore transaction (within the meaning of Regulation S); and
- (b) it understands that the Trust Certificates have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Trust Certificates except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.

## Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Trust Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Trust Certificates referred to above shall require the Issuer, ICD or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Trust Certificates to the public** in relation to any Trust Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Trust Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

## United Kingdom

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Trust Certificates which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Trust Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Trust Certificates would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or ICD; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the United Kingdom.

## **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Trust Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## **Cayman Islands**

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that no offer or invitation (whether directly or indirectly) to subscribe for any Trust Certificates has been or will be made to the public in the Cayman Islands.

## **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Trust Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules of the Dubai Financial Services Authority (the **DFSA**); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

## **Japan**

The Trust Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the **FIEA**). Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Trust Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Singapore**

This Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any Trust Certificates or cause such Trust Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any Trust Certificates, whether directly or indirectly, to any person in

Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA, or (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **Malaysia**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that;

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Market and Services Act 2007 of Malaysia; and
- (b) accordingly, the Trust Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Trust Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 9 (or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Trust Certificates as aforesaid without the necessary approvals being in place.

### **Kingdom of Saudi Arabia**

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under Article 10 or Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the **KSA Regulations**). The Trust



Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Trust Certificates to a Saudi Investor will comply with the KSA Regulations.

The offer of Trust Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Trust Certificates pursuant to a private placement may not offer or sell those Trust Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and:

- (a) the Trust Certificates are offered or sold to a "sophisticated investor (as defined in Article 10 of the KSA Regulations);
- (b) the price to be paid for the Trust Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or
- (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

#### **State of Qatar (excluding the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, directly or indirectly, any Trust Certificates in the State of Qatar, except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **General**

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers any Trust Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee, ICD, the Delegate nor any of the other Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee, ICD, the Delegate and any of the Dealers represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about and observe any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Trust Certificates.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer, ICD and the relevant Dealer and set out in the subscription agreement or dealer accession letter (as applicable).

## GENERAL INFORMATION

### AUTHORISATION

The establishment of the Programme and the issue of Trust Certificates thereunder have been duly authorised by a resolution of the board of directors of the Issuer dated 1 April 2014 and by a written resolution of the Board dated 25 March 2014. The Issuer has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of Trust Certificates to be issued under the Programme and the execution and performance of the Transaction Documents.

### LISTING OF TRUST CERTIFICATES

It is expected that each Tranche of Trust Certificates which is to be admitted to the Irish Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of one or more Global Trust Certificates initially representing the Trust Certificates of such Tranche. Application has been made to the Irish Stock Exchange for Trust Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Irish Official List and to be admitted to trading on the Main Securities Market.

Application has also been made to the DFSA for Trust Certificates issued under the Programme to be admitted to the DFSA Official List. The Programme is expected to be admitted to the DFSA Official List on or about 6 May 2014. An application may be made for any Tranche of Trust Certificates to be admitted to trading on NASDAQ Dubai.

### LISTING AGENT

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Trust Certificates and is not itself seeking admission of the Trust Certificates to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

### DOCUMENTS AVAILABLE

For the period of 12 months following the date of this Base Prospectus, physical copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of each of the Issuer and ICD and the specified office of the Paying Agent in London:

- (a) the Transaction Documents including each Supplemental Trust Deed, Supplemental Purchase Agreement and Supplemental Lease Agreement in relation to each Tranche;
- (b) the Memorandum and Articles of Association of the Issuer and Law No. (11) of 2006 (the **Decree**) issued by HH Sheikh Mohammed Bin Rashid Al Maktoum as Ruler of Dubai establishing ICD (with an English translation thereof). The English translation of the Decree is direct and accurate. However, in case of conflict or discrepancy between the Arabic version of the Decree and its English translation, the Arabic version of the Decree shall prevail;
- (c) the Financial Statements;
- (d) the most recently published consolidated audited financial statements of ICD and unaudited condensed consolidated interim financial statements (if any) of ICD, in each case together with any audit or review reports prepared in connection therewith. ICD currently prepares unaudited consolidated

interim accounts for the first six months of each year. The Issuer is not required to, publish any interim financial statements under Cayman Islands law;

- (e) this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

This Base Prospectus will be available for viewing on (i) the website of the Central Bank (<http://www.centralbank.ie>) and (ii) the website of NASDAQ Dubai (<http://www.nasdaqdubai.com>).

## **CLEARING SYSTEMS**

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).

The appropriate Common Code and ISIN for each Tranche will be specified in the applicable Final Terms.

If the Trust Certificates are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **CONDITIONS FOR DETERMINING PRICE**

The price and amount of Trust Certificates to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **SIGNIFICANT OR MATERIAL CHANGE**

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of ICD or of the Group since 30 June 2013 and there has been no material adverse change in the financial position or prospects of ICD or of the Group since 31 December 2012.

## **LITIGATION**

None of the Issuer, ICD or any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or ICD is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, ICD or the Group.

## **AUDITORS**

The Issuer is not required by Cayman Islands law to publish audited financial statements or appoint any auditors. The auditors of ICD are Ernst & Young Middle East (Dubai Branch) and their business address is 28th Floor, Al Attar Business Tower, Sheikh Zayed Road, P.O. Box 9267, Dubai, United Arab Emirates. Ernst & Young Middle East (Dubai Branch) is regulated as an auditor in the UAE by the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and, accordingly, Ernst & Young Middle East (Dubai Branch) is not a member of a professional body in the UAE. All of the audit partners of Ernst & Young Middle East (Dubai Branch) are members of the institutes from where they received their professional qualification.

The 2012 Financial Statements and the 2011 Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young Middle East (Dubai Branch) as stated in their unqualified reports appearing in this Base Prospectus. The unaudited interim condensed consolidated financial statements of ICD as of and for the six months ended 30 June 2013 have been reviewed in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" by Ernst & Young Middle East (Dubai Branch) as stated in their report appearing in this Base Prospectus.

## **POST-ISSUANCE INFORMATION**

Save as set out in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Trust Certificates.

## **SHARIA ADVISORY BOARDS**

The transaction structure relating to Trust Certificates to be issued under the Programme (as described in this Base Prospectus) has been approved by the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and *Sharia* Advisory Board of Dubai Islamic Bank PJSC, Dar al Shari'a Legal & Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in Trust Certificates and should consult their own *Sharia* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Sharia* principles.

### **Description of members of the *Shari'a* Supervisory Board of Citi Islamic Investment Bank E.C., the Executive Committee of the Fatwa and *Sharia* Supervisory Board of Dubai Islamic Bank PJSC, Dar al Shari'a Legal & Financial Consultancy and the *Shari'a* Supervisory Committee of Standard Chartered Bank**

#### ***Shari'a* Supervisory Board of Citi Islamic Investment Bank E. C.**

##### **Dr. Nazih Hammad**

Dr. Nazih Hammad is a graduate of Faculty of *Sharia* at University of Damascus, Syria and holds a PhD in Islamic Jurisprudence from Cairo University, Egypt. He has taught in the faculty of *Sharia* at Um Alqura University, Makkah for 17 years. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, he is a member of the Islamic Fiqh Academy, Auditing and Accounting Organisation for Islamic Financial Institutions and Fiqh Islamic Council of North America. Dr. Nazih Hammad is the author of several research papers and books on Islamic jurisprudence and banking and finance.

##### **Sheikh Nizam Yaquby**

Sheikh Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics & comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Nizam Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

##### **Dr. Mohammed Ali Elgari**

Dr. Mohammed Ali Elgari holds a PhD in economics from the University of California. Dr. Mohammed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia, where he also served as a Professor of Islamic Economics. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and

funds, he is a member of the Islamic Fiqh Academy and is the Director of Center for Research in Islamic Economics at King Abdulaziz University in Jeddah. He has published numerous articles and books on Islamic banking and finance and is the editor of the Review of Islamic Economics and a member of the Academic Committee of Islamic Development Bank.

***The Executive Committee of the Fatwa and Sharia Supervisory Board of Dubai Islamic Bank PJSC, Dar al Shari'a Legal & Financial Consultancy***

**Dr. Hussain Hamed Hassan**

Dr. Hussain Hamed Hassan holds a PhD and is the head of the Fatwa and *Sharia* Supervisory Board of Dubai Islamic Bank PJSC and a member of Fatwa and *Sharia* boards of numerous other leading global Islamic finance institutions including Islamic Development Bank (IDB), Jeddah.

For over 50 years, he has advised various central banks and regulators, has supervised the establishment and conversion of various Islamic financial institutions and advised presidents of various Islamic Republics. He has established Islamic universities and faculties worldwide, including in Makkah, Islamabad, Kazakhstan and Libya. He is member of Accounting and Auditing Organisation for Islamic Financial Institutions and the Islamic Financial Services Board, the International Fiqh Academy of OIC (Organisation of Islamic Cooperation), the Fiqh Academy of Muslim World League, Saudi Arabia and is also a President of American Muslim Jurists Association. Dr. Hussain has authored 21 books and over 400 articles, has supervised translation of the Holy Quran into Russian and of 200 Islamic books into various languages.

**Dr. Mohamed Zoeir**

Dr. Mohamed Zoeir holds a PhD in Islamic Economy and is a member of many Islamic Banks across the Middle East and Africa and he has many researches and studies in Islamic Finance and banking. He is a *Sharia* inspector, Secretary General of Board of *Sharia* at Dubai Islamic Bank PJSC and Chief Editor of Islamic Economics magazine.

**Dr. Muhammad Qaseem**

Dr. Muhammad Qaseem holds a PhD in Islamic Studies from Faculty of Usul ud Dinis, country head of *Sharia* of Dubai Islamic Bank Pakistan Limited (DIBPL) and served as *Sharia* Board member of many other institutions. He also has written various articles on Islamic Banking.

He has been teaching various courses in various BA and MA programmes of International Islamic University, Islamabad (IIUI). Dr. Muhammad Qaseem has many academic contributions, articles and literary and translation work.

***The Shari'a Supervisory Committee of Standard Chartered Bank***

**Dr. Abdul Sattar Abu Ghuddah**

Dr. Abdul Sattar Abu Ghuddah holds a PhD in Islamic Law from Al Azhar University Cairo, Egypt. He is a professor of Fiqh, Islamic studies and Arabic in Riyadh and an active member of the Jeddah-based Islamic Fiqh Academy and the Accounting & Auditing Standards Board of Islamic Financial Institutions. He also served in the Ministry of Awqaf, Kuwait. Dr. Abu Ghuddah has written several books on Islamic finance. He is a *Sharia* Advisor to several international and local financial institutions world-wide.

**Dr. Mohammed Ali Elgari**

Please see the description of Dr. Mohammed Ali Elgari set out above.

## **Sheikh Nizam Yaquby**

Please see the description of Sheikh Nizam Yaquby set out above.

## **DEALERS TRANSACTING WITH ICD**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, ICD (and its affiliates) in the ordinary course of business.

## **DELEGATE'S ACTION**

The Conditions and the Master Trust Deed provide for the Delegate to take action on behalf of the Certificateholders in certain circumstances, but only if the Delegate is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Delegate to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Delegate is unable to take any action, the Certificateholders are permitted by the Conditions and the Master Trust Deed under certain circumstances to take the relevant action directly.

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**Investment Corporation of Dubai  
and its subsidiaries**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)**

**30 JUNE 2013**

## REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE OWNER OF INVESTMENT CORPORATION OF DUBAI

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Investment Corporation of Dubai (“ICD”) and its subsidiaries (collectively referred to as the “Group”), comprising the interim consolidated statement of financial position as at 30 June 2013 and the related interim consolidated statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



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

07 October 2013

Dubai, United Arab Emirates

Investment Corporation of Dubai and its subsidiaries

**INTERIM CONSOLIDATED INCOME STATEMENT**

For the six-month period ended 30 June 2013

	Notes	<i>Six-month period ended 30 June</i>	
		<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Revenues	3	91,184,306	77,297,029
Cost of revenues	4	(75,082,569)	(63,500,621)
		<u>16,101,737</u>	<u>13,796,408</u>
Other income		2,320,660	3,266,574
Net gain from derivative instruments		178,253	191,751
General, administrative and other expenses		(8,208,710)	(6,968,575)
Net impairment losses on financial assets	5	(2,094,912)	(2,463,176)
Other finance income		710,435	575,728
Other finance costs		(1,793,961)	(1,072,961)
Share in results of associates and joint ventures for the period - net	11	<u>1,334,627</u>	<u>1,633,307</u>
<b>PROFIT FOR THE PERIOD BEFORE INCOME TAX</b>		<u>8,548,129</u>	<u>8,959,056</u>
Income tax expense		(412,611)	(440,658)
<b>PROFIT FOR THE PERIOD</b>		<u><u>8,135,518</u></u>	<u><u>8,518,398</u></u>
<b>Attributable to:</b>			
The equity holder of ICD		6,578,541	7,186,688
Non-controlling interests		1,556,977	1,331,710
		<u><u>8,135,518</u></u>	<u><u>8,518,398</u></u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

Investment Corporation of Dubai and its subsidiaries

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six-month period ended 30 June 2013

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
<b>PROFIT FOR THE PERIOD</b>	<b>8,135,518</b>	<b>8,518,398</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to income statement in subsequent periods:</i>		
Net movement in fair value of available-for-sale investments and cash flow hedges	918,519	121,855
Foreign currency translation differences	(163,414)	15,628
Group's share in other comprehensive income of equity accounted investees	(256,234)	(80,192)
<b>Net other comprehensive income to be reclassified to income statement in subsequent periods</b>	<b>498,871</b>	<b>57,291</b>
<i>Items not to be reclassified to income statement in subsequent periods:</i>		
Actuarial loss on defined benefit plans	(177,697)	(51,470)
<b>Other comprehensive income for the period</b>	<b>321,174</b>	<b>5,821</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>8,456,692</b>	<b>8,524,219</b>
<b>Attributable to:</b>		
The equity holder of ICD	7,063,685	7,074,640
Non-controlling interests	1,393,007	1,449,579
	<b>8,456,692</b>	<b>8,524,219</b>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

Investment Corporation of Dubai and its subsidiaries

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2013

	<i>Notes</i>	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited) *(Restated)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	106,658,913	98,970,496
Intangible assets	9	24,742,032	20,217,384
Investment properties	10	7,415,350	7,372,306
Development properties		266,367	320,804
Investments in associates and joint ventures	11	31,771,489	31,462,632
Investments in marketable securities	12	20,408,332	16,109,037
Other non-current assets		18,775,838	20,979,230
Islamic financing and investment products	13	23,514,322	20,331,166
Loans and receivables	14	74,501,418	72,644,622
Cash and deposits with banks	15	3,188,464	2,495,055
Positive fair value of derivatives		1,213,153	1,681,784
Deferred tax asset		77,070	142,675
		<u>312,532,748</u>	<u>292,727,191</u>
<b>Current assets</b>			
Investments in marketable securities	12	4,121,434	4,614,386
Inventories		13,251,340	11,151,322
Trade and other receivables		33,777,484	27,673,573
Islamic financing and investment products	13	12,311,461	11,800,109
Loans and receivables	14	116,617,798	105,595,828
Cash and deposits with banks	15	88,493,097	72,854,907
Positive fair value of derivatives		1,093,818	731,882
Customer acceptances		4,585,340	6,301,961
		<u>274,251,772</u>	<u>240,723,968</u>
Assets classified as held for sale		10,033	10,033
		<u>274,261,805</u>	<u>240,734,001</u>
<b>TOTAL ASSETS</b>		<u><u>586,794,553</u></u>	<u><u>533,461,192</u></u>

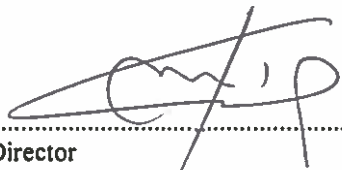
The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

Investment Corporation of Dubai and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2013

	Notes	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited) *(Restated)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holder of ICD</b>			
Capital	16	64,534,449	64,534,449
Retained earnings		44,847,199	38,630,617
Other reserves	17	15,596,250	14,980,789
		<u>124,977,898</u>	<u>118,145,855</u>
Non-controlling interests	18	28,012,497	23,698,292
<b>Total equity</b>		<u>152,990,395</u>	<u>141,844,147</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		1,827,877	1,547,353
Borrowings and lease liabilities		93,584,524	79,144,637
Negative fair value of derivatives		1,901,305	2,651,944
Other non-current payables		5,368,826	4,714,265
Customer deposits		7,790,527	15,277,375
Islamic customer deposits		8,490,978	6,074,115
Deferred tax liabilities		963,751	971,170
Deposits under repurchase agreements		37,041	-
		<u>119,964,829</u>	<u>110,380,859</u>
<b>Current liabilities</b>			
Employees' end of service benefits		1,636	1,342
Borrowings and lease liabilities		62,128,228	52,517,539
Negative fair value of derivatives		887,998	680,268
Trade and other payables		59,211,710	50,217,862
Customer deposits		159,403,344	142,804,853
Islamic customer deposits		26,691,676	26,903,467
Deposits under repurchase agreements		150,117	730,873
Current income tax liability		769,197	1,067,937
Customer acceptances		4,585,339	6,301,961
		<u>313,829,245</u>	<u>281,226,102</u>
Liabilities directly associated with assets classified as held for sale		10,084	10,084
		<u>313,839,329</u>	<u>281,236,186</u>
<b>Total liabilities</b>		<u>433,804,158</u>	<u>391,617,045</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>586,794,553</u>	<u>533,461,192</u>

.....  
  
 Director

.....  
  
 Director

\* 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 22 form part of these interim condensed consolidated financial statements.

# Investment Corporation of Dubai and its Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2013

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	8,548,129	8,959,056
Adjustments for:		
Depreciation and impairment on property, plant and equipment, investment properties and development properties	4,695,761	3,780,752
Impairment allowances on loans and receivables	1,257,761	1,453,186
Impairment allowances on Islamic financing and investment products	490,628	528,028
Amortisation and impairment of intangible assets	348,608	172,739
Loss / (gain) on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircrafts	15,129	(83,118)
Fair value gain on investment securities	(21,776)	(11,739)
Impairment loss on available-for-sale investments	292,885	67,238
Impairment loss on investment in associates and joint ventures	18,733	400,000
Other finance income	(5,699,344)	(5,516,217)
Other finance costs	3,019,919	2,603,693
Share in results of associates and joint ventures	(1,334,627)	(1,633,307)
Provision for employees' end of service benefits	447,827	389,067
Reversal of impairment on other non-current assets	-	(398,738)
Gain on deemed disposal of investment in associate	(329,763)	(224,260)
	<u>11,749,870</u>	<u>10,486,380</u>
Working capital changes:		
Inventories	99,982	(272,546)
Trade and other receivables	(7,061,370)	(3,624,359)
Trade and other payables	8,627,798	9,001,228
Loans and receivables	(12,782,527)	(3,377,380)
Statutory deposits (banking operations)	(4,897,838)	(6,907,960)
Deposits with banks with original maturity over three months (banking operations)	(673,427)	(607,904)
Customer deposits including Islamic customer deposits	3,581,715	10,623,385
Fair value of derivatives	(436,214)	591,608
Islamic financing and investment products	(4,040,478)	(4,070,326)
Other non-current assets	3,445,782	(1,146,556)
Other non-current payables	654,561	(773,659)
	<u>(1,732,146)</u>	<u>9,921,911</u>
Net cash from operations	(1,732,146)	9,921,911
Employees' end of service benefits paid	(330,216)	(334,277)
Taxes paid	(659,664)	(595,846)
Exchange translation reserve and other movements	70,302	26,531
Operating finance income received	4,988,909	4,940,489
Operating finance cost paid	(1,225,958)	(1,530,732)
	<u>1,111,227</u>	<u>12,428,076</u>
Net cash generated from operating activities	<u>1,111,227</u>	<u>12,428,076</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

Investment Corporation of Dubai and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 June 2013

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment, intangible assets, investment properties and development properties	(12,327,969)	(5,263,918)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties and development properties	310,249	458,914
Acquisition of non-controlling interests	-	(21,168)
Payments for shares repurchased by an indirect subsidiary of the Group	-	(193,720)
Acquisition of subsidiaries	(1,941,094)	-
Proceeds from dilution of investment in an indirect associate of the Group	230,464	-
Other finance income received	710,435	575,728
Net movement in investment in marketable securities	(1,513,691)	430,621
Investments in associates and joint ventures	(46,641)	(56,420)
Dividend from associates and joint ventures	762,425	539,189
Net movement in deposits with banks with original maturity over three months (non-banking operations)	(8,522,159)	942,476
<b>Net cash used in investing activities</b>	<b>(22,337,981)</b>	<b>(2,588,298)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of Tier 1 Capital Notes by a banking subsidiary	3,648,497	-
Interest on Tier 1 Capital Notes issued by a banking subsidiary	(18,184)	-
Distribution to the Government	(131,455)	(389,695)
Net movement in borrowings and lease liabilities	13,296,810	1,337,662
Deposit under repurchase agreements	(580,756)	(1,237,280)
Other finance costs paid	(1,793,961)	(1,072,961)
Dividend paid to the non-controlling interests	(811,951)	(650,413)
Directors' fees paid	(2,305)	(1,616)
<b>Net cash generated from / (used in) financing activities</b>	<b>13,606,695</b>	<b>(2,014,303)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,620,059)</b>	<b>7,825,475</b>
Cash and cash equivalents acquired on business combinations	4,066,207	1,348,946
Cash and cash equivalents at the beginning of the period	12,990,394	9,051,468
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>9,436,542</b>	<b>18,225,889</b>

Cash and cash equivalents noted above include the following:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>	<i>30 June 2012 AED'000 (Unaudited)</i>
Cash and deposits with banks - current	88,493,097	72,854,907	70,405,996
Islamic financing and investment products with original maturity of less than three months	703,779	559,122	608,773
Due to banks	(29,703,142)	(22,168,827)	(18,290,661)
Bank overdrafts	(329,943)	(950,493)	(509,877)
	<b>59,163,791</b>	<b>50,294,709</b>	<b>52,214,231</b>
Due to banks with original maturity of more than three months	4,465,574	3,488,493	2,751,463
Deposits with Central Bank for regulatory purposes	(25,466,689)	(20,568,851)	(11,498,327)
Deposits with other banks with original maturity of more than three months	(28,726,134)	(20,223,957)	(25,241,478)
	<b>9,436,542</b>	<b>12,990,394</b>	<b>18,225,889</b>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.



Investment Corporation of Dubai and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the six-month period ended 30 June 2013

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 16)	Retained earnings AED '000	Other reserves AED '000 (see note 17)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2013 as previously reported	64,534,449	38,774,772	14,992,221	118,301,442	23,698,292	141,999,734
Change in accounting policy (see note 2.3)	-	(144,155)	(11,432)	(155,587)	-	(155,587)
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 period	-	6,578,541	-	6,578,541	1,556,977	8,135,518
Other comprehensive income for the period	-	(177,697)	662,841	485,144	(163,970)	321,174
Total comprehensive income for the period	-	6,400,844	662,841	7,063,685	1,393,007	8,456,692
Distribution paid to the Government (see note 20)	-	(131,456)	-	(131,456)	-	(131,456)
Tier 1 capital notes issued by a banking subsidiary (see note 18)	-	-	-	-	3,648,497	3,648,497
Interest on Tier 1 capital notes	-	-	-	-	(18,184)	(18,184)
Directors' fees in subsidiaries, associates and joint ventures	-	(2,305)	-	(2,305)	-	(2,305)
Dividend paid to the non-controlling interests	-	-	-	-	(811,951)	(811,951)
Transfers	-	6,890	(6,890)	-	-	-
Increase in non-controlling interests	-	-	-	-	1,175	1,175
Arising on acquisition of a subsidiary	-	-	-	-	88,324	88,324
Deemed disposal of investment in an associate	-	-	(58,023)	(58,023)	-	(58,023)
Other movements	-	(57,391)	17,533	(39,858)	13,337	(26,521)
<b>Balance at 30 June 2013</b>	<b>64,534,449</b>	<b>44,847,199</b>	<b>15,596,250</b>	<b>124,977,898</b>	<b>28,012,497</b>	<b>152,990,395</b>

\* 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 22 form part of these interim condensed consolidated financial statements.

Investment Corporation of Dubai and its Subsidiaries

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (continued)**

For the six-month period ended 30 June 2013

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 16)	Retained earnings AED '000	Other reserves AED '000 (see note 17)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2012 as reported in the previous year audited financial statements	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 period	-	7,186,688	-	7,186,688	1,331,710	8,518,398
Other comprehensive income for the period	-	(51,470)	(60,578)	(112,048)	117,869	5,821
Total comprehensive income for the period	-	7,135,218	(60,578)	7,074,640	1,449,579	8,524,219
Distribution paid to the Government (see note 20)	-	(389,694)	-	(389,694)	-	(389,694)
Directors' fees in subsidiaries, associates and joint ventures	-	(1,616)	-	(1,616)	-	(1,616)
Change in ownership	-	(436,634)	793,051	356,417	(998,821)	(642,404)
Shares purchased and cancelled by an indirect subsidiary	-	(102,940)	-	(102,940)	(90,780)	(193,720)
Increase in non-controlling interests	-	-	-	-	2,918	2,918
Arising on acquisition of a subsidiary	-	-	-	-	853,420	853,420
Dividend paid to the non-controlling interests	-	(1,022,785)	1,025,446	2,661	(650,413)	(650,413)
Transfers	-	(34,535)	8,144	(26,391)	(3,527)	-
Other movements	-	-	-	-	(29,918)	(29,918)
Balance at 30 June 2012	64,253,449	33,105,752	14,291,479	111,650,680	23,109,838	134,760,518

\* 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 22 form part of these interim condensed consolidated financial statements.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 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.

These interim condensed consolidated financial statements for the six-month period ended 30 June 2013 were approved by the Board of Directors of ICD on 7 October 2013.

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of ICD and its subsidiaries (together referred to as the "Group") for the six-month period ended 30 June 2013 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

These interim condensed 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 interim condensed consolidated financial statements are presented in United Arab Emirates Dirhams (AED), which is ICD's functional and presentation currency and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

These interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the six-month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

### 2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS

The interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting". The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 13 - Fair Value Measurement and amendments to IAS 1 - Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 - Disclosure of Interest in Other Entities may result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not significantly impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

#### *IAS 1 - Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (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.

**2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

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

This amendment to IAS 1 clarifies 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 additional voluntarily comparative information does not need to be presented in a complete set of financial statement.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed consolidated financial statements do not include a third balance sheet.

**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 interim condensed consolidated financial statements for ICD, as there is no tax consequences attached to cash or non-cash distribution.

**IAS 34 - Interim financial reporting and segment information for total assets and liabilities (Amendment)**

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 - Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment has no effect on the financial position or performance of the Group.

**IFRS 7 - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7**

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The amendment has had no significant effect on the financial position or performance of the Group.

**IFRS 11 - Joint Arrangements and 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.

**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. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

**2.2 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**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. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 - Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 21.

In addition to the above-mentioned amendments and new standards, IFRS 1 - First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**2.3 CHANGES IN ACCOUNTING POLICY**

The Group has applied IFRS 10 - Consolidated Financial Statements, for the first time during the six-month period ended 30 June 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:

	June 2013 AED '000	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

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

3 REVENUES

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Transportation and related services	43,277,977	34,896,487
Oil and gas products/services	31,520,122	26,702,885
Banking and financial services (see note (a) below)	6,277,682	6,132,371
Industrial manufacturing	4,744,000	4,892,697
Retail trade	3,248,390	2,885,152
Rental income	1,101,692	1,011,203
Hotels and leisure	141,710	125,283
Exchange house trading and fee income	155,397	96,443
Contract revenue	111,213	66,530
Other investment income	101,909	94,130
Others	504,214	393,848
	<u>91,184,306</u>	<u>77,297,029</u>

a) Revenues from banking and financial services include:

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Interest income and profit on loans and receivables and Islamic financing and investment products to customers	4,911,247	4,852,817
Fee and commission income	1,058,085	922,891
Interest income on available-for-sale investments	116,412	157,195
Interest income and profit on loans to and receivables from banks	77,662	87,672
Others	114,276	111,796
	<u>6,277,682</u>	<u>6,132,371</u>

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 4 COST OF REVENUES

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Transportation and related services	37,253,924	30,812,028
Oil and gas products / services	29,745,023	24,658,828
Banking and other financial services (see note (a) below)	1,655,158	1,718,852
Industrial manufacturing	3,634,998	3,762,254
Retail trade	2,034,932	1,838,673
Rental expense	548,042	535,454
Hotels and leisure	65,812	58,402
Contract costs	83,310	47,695
Others	61,370	68,435
	<u>75,082,569</u>	<u>63,500,621</u>

a) Cost of revenues for banking and other financial services include:

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Interest expense and profit on deposits from customers	831,855	834,747
Interest expense and profit on borrowings from banks and other financial institutions	83,040	314,829
Distribution to depositors and profit paid to sukuk holders	311,063	381,156
Fee and commission expenses	76,621	57,817
Others	352,579	130,303
	<u>1,655,158</u>	<u>1,718,852</u>

### 5 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

This includes impairment losses amounting to AED 2,041,274 thousand (unaudited) (six-month period ended 30 June 2012: AED 2,048,452 thousand (unaudited)) relating to loans and receivables, Islamic financing and investment products and investments held by the Group's subsidiary engaged in banking operations.

### 6 TRANSFER OF ENTITY UNDER COMMON CONTROL

During the year ended 31 December 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.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

#### 7 BUSINESS COMBINATIONS

##### a) *Acquisition of BNP Paribas Egypt S.A.E*

During the current period, one of the banking subsidiaries of the Group acquired a 95.2% stake in BNP Paribas Egypt S.A.E ("BNPP Egypt") for a consideration of AED 1,748 million. Furthermore, for the acquisition of the balance 4.8% of shares, a payment of AED 88 million has been made under an escrow arrangement pending legal transfer of ownership of the shares.

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

	<i>Fair values AED' million</i>
Property, plant and equipment (see note 8)	253
Investments in marketable securities	1,649
Trade and other receivables	210
Loan and receivables	3,554
Cash and deposits with banks	4,025
Borrowings and lease liabilities	(426)
Customer deposits	(7,735)
Trade and other payables	(284)
<b>Fair value of net assets acquired</b>	<b>1,246</b>
Goodwill (provisional) (see note 9)	592
<b>Consideration</b>	<b>1,838</b>
Represented by:	
Purchase consideration paid in cash	1,748
Acquisition related cost capitalised	2
Non-controlling interests	88
	<b>1,838</b>

Provisional goodwill represent the difference between fair value of assets acquired and purchase consideration. The fair values of the assets and liabilities have been determined by an external expert. A purchase price allocation exercise is currently in progress and the goodwill will be adjusted once the exercise is completed.

In addition to acquisition related capitalised costs of AED 2 million, an amount of AED 24.4 million was incurred and is included in general, administrative and other expenses. BNPP Egypt's revenue included in the interim consolidated income statement since 9 June 2013 is AED 34.4 million. BNPP Egypt also contributed profit of AED 16 million over the same period.

Had BNPP Egypt been consolidated from 1 January 2013 the interim consolidated income statement would have included revenue of AED 274 million and profit of AED 96 million.

##### b) *Acquisition of Servair Air Chef Srl*

During the current period, one of the subsidiaries of the Group obtained control of a joint venture, Servair Air Chef srl ("Servair"), by acquiring the remaining 50% through its wholly owned subsidiary Alpha Flight Italia srl. Servair is a leading in-flight caterer in Italy with presence in 23 airports including Rome, Milan and Venice, employing around 700 employees and producing some 40,000 meals daily.



## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

#### 7 BUSINESS COMBINATIONS (continued)

##### b) Acquisition of Servair Air Chef Srl (continued)

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

	<i>Fair values</i> <i>AED' 000</i>
Property, plant and equipment (see note 8)	14,163
Intangible assets (see note 9)	25,535
Investment in associates and joint ventures	2,893
Trade and other receivables	77,351
Cash and deposits with banks	41,207
Borrowings and lease liabilities	(707)
Deferred tax liabilities	(7,530)
Trade and other payables	(78,904)
	<hr/>
	74,008
Less: Non-controlling interests	(1,077)
	<hr/>
<b>Group's share of net assets</b>	<b>72,931</b>
Goodwill (see note 9)	179,139
	<hr/>
<b>Consideration</b>	<b>252,070</b>
Less: Cash and deposits with banks	(41,207)
Less: Fair value of previously held investment	(119,405)
	<hr/>
<b>Cash outflow on acquisition</b>	<b>91,458</b>
	<hr/> <hr/>

Costs of acquisition amounting to AED 2,243 thousand is included under general, administrative and other expenses.

The fair value of subsidiary's 50% interest in Servair before the acquisition was AED 119,405 thousand. The Group recognised a gain of AED 30,502 thousand as a result of remeasuring this interest and derecognising allocated goodwill, which is included in other income in the interim consolidated income statement.

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

The acquired business contributed revenue of AED 37,882 thousand and a profit AED 1,946 thousand from the acquisition date to 30 June 2013. Had Servair been consolidated from 1 January 2013 the interim consolidated income statement would have included revenue of AED 117,401 thousand and profit of AED 8,596 thousand.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

#### 7 BUSINESS COMBINATIONS (continued)

##### c) Acquisition of Broadlex Air Services ("BAS")

During the current period, one of the subsidiaries of the Group acquired the business of Broadlex Air Services ("BAS") through its wholly owned subsidiary Airline Cleaning Services Pty. Limited, Australia. BAS is a professional aircraft cabin cleaning provider operating at Sydney, Melbourne and Brisbane airports in Australia.

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

	<i>Fair values</i> <i>AED' 000</i>
Property, plant and equipment (see note 8)	8,523
Intangible assets (see note 9)	21,672
Trade and other receivables	292
Deferred tax liabilities	(6,499)
Trade and other payables	(3,146)
<b>Group's share of net assets</b>	<b>20,842</b>
Goodwill (see note 9)	39,587
<b>Total purchase consideration and cash outflow on acquisition</b>	<b>60,429</b>

Costs of acquisition amounting to AED 2,731 thousand is included under general, administrative and other expenses.

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing inflight catering and ground handling businesses. The full acquisition of BAS complements Group's existing investments in inflight caterer Alpha Flight Group Limited, airport services joint venture Toll dnata and contact centre provider Mindpearl.

The acquired business contributed revenue of AED 27,437 thousand and a profit of AED 80 thousand from the acquisition date to 30 June 2013. Had BAS been consolidated from 1 January 2013 the interim consolidated income statement would have included revenue of AED 63,371 thousand and profit of AED 2,910 thousand.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 7 BUSINESS COMBINATIONS (continued)

#### d) Acquisition of Dubai Aerospace Enterprise Limited

During the year ended 31 December 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 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 now controls DAE, thus converting it from an associate to a subsidiary. DAE is an aerospace corporation with operations in aircraft leasing, maintenance, repair & overhaul (MRO).

The Group had accounted for this business combination using the acquisition method. Since the business combination was achieved in stages, the Group had 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 for the year ended 31 December 2012.

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

	<i>Fair values AED' 000</i>
Property, plant and equipment	9,982,079
Intangible assets	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	(2,117)
Borrowings and lease liabilities	(12,434,201)
Negative fair value of derivatives	(36,816)
Other non-current payables	(839,256)
Deferred tax liabilities	(127,037)
Trade and other payables	(1,999,675)
	<u>(1,294,171)</u>
Less: Non-controlling interests	(853,420)
<b>Group's share of net assets</b>	<b><u>(2,147,591)</u></b>
<b>Consideration</b>	
Acquisition date fair value of consideration	220,500
Acquisition date fair value of previously held investment	1,282,930
<b>Total consideration</b>	<b><u>1,503,430</u></b>
<b>Goodwill</b>	<b><u>3,651,021</u></b>

The acquired business contributed revenue of AED 3,660,785 thousand and a profit of AED 20,963 thousand from the date of acquisition to 31 December 2012. Had DAE been consolidated from 1 January 2012 the interim consolidated income statement for 2012 would have included revenue of AED 7,141,944 thousand and profit of AED 26,989 thousand.

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 were reclassified to property, plant and equipment in the consolidated financial statements for the year ended 31 December 2012 (see note 8). 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.

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

7 BUSINESS COMBINATIONS (continued)

d) Acquisition of Dubai Aerospace Enterprise (DAE) Limited (continued)

	<i>AED' 000</i>
<b>Cash flow on acquisition</b>	
Cash and deposits with banks	1,233,102
Less: Cash paid in prior years	(486,408)
	<u>746,694</u>

e) Acquisition of D-Clear Europe Limited

During the year ended 31 December 2012, the Group acquired a 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 has accounted for this business combination using the acquisition method. The Group has recorded the fair value of assets and liabilities of D-Clear Europe Limited at the date of acquisition and are summarised as below:

	<i>Fair values AED' 000</i>
Property, plant and equipment	5,527
Intangible assets	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	(4,410)
Borrowings and lease liabilities	(827,548)
Deferred tax liabilities	(51,671)
Trade and other payables	(236,291)
Current income tax liability	(9,129)
<b>Net liabilities acquired</b>	<u>(701,379)</u>
Consideration paid	<u>AED 4</u>
<b>Goodwill</b>	<u>701,379</u>
<b>Cash inflow on acquisition</b>	<u>115,152</u>

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 same related party 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.

The acquired business contributed revenue of AED 159,448 thousand and a profit of AED 2,893 thousand from the date of acquisition to 31 December 2012. Had D-clear been consolidated from 1 January 2012 the interim consolidated income statement for 2012 would have included revenue of AED 323,161 thousand and profit of AED 46,878 thousand.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

#### 7 BUSINESS COMBINATIONS (continued)

##### f) Acquisition of Enroute International Limited

During the year ended 31 December 2012, the Group acquired a 80% beneficial interest in Enroute International Limited ("Enroute"), through one of the indirect subsidiaries of the Group. 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:

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

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

The indirect subsidiary that owns Enroute has 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.

The acquired business contributed revenue of AED 52 million and a profit of AED 2 million from the date of acquisition to 31 December 2012. Had Enroute been consolidated from 1 January 2012 the interim consolidated income statement for 2012 would have included revenue of AED 79 million and profit of AED 2 million.

The Group has incorporated a number of other insignificant subsidiaries, associates and joint ventures during the current period and prior year. Further, the Group's shareholding has changed in a number of insignificant subsidiaries, associates and joint ventures during the current period and prior year.

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

8 PROPERTY PLANT AND EQUIPMENT

	Land, buildings and leasehold improvements AED '000	Furniture, fixtures and office equipment AED '000	Plant, machinery and vehicles AED '000	Oil and gas interests AED '000	Aircraft AED '000	Aircraft engines and parts AED '000	Capital work-in- progress AED '000	Total AED '000
<i>Six-month period ended 30 June 2013 (Unaudited)</i>								
Additions during the period	333,505	273,085	1,780,327	454,344	270,047	137,169	9,020,551	12,269,028
Disposals during the period (net book value)	5,584	23,009	61,862	-	-	21,408	30,122	141,985
Impairment and depreciation charge for the period	572,985	249,719	1,725,303	374,306	1,527,002	140,181	1,569	4,591,065
Arising on business combinations (see note 7)	256,786	1,272	17,988	-	-	-	-	276,046
<i>Six-month period ended 30 June 2012 (Unaudited)</i>								
Additions during the period	25,156	104,500	952,217	763,180	-	209,565	6,298,711	8,353,329
Disposals during the period (net book value)	5,765	891	9,432	-	-	353,317	6,351	375,756
Impairment and depreciation charge for the period	566,667	212,189	1,445,916	388,381	989,153	124,673	-	3,726,979
Arising on business combinations (see note 7)	199,975	17,939	357,872	-	9,318,770	71,115	24,770	9,990,441
Reclassification arising on business combinations (see note 7(d))	-	-	-	-	-	-	1,913,065	1,913,065

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2013

9 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
<i>Six-month period ended 30 June 2013 (Unaudited)</i>								
Additions during the period	4,040,300	-	-	5,478	94,198	199	83,732	4,223,907
Impairment and amortisation charge for the period	187,025	15	26,429	65,035	36,463	33,641	-	348,608
Acquired on business combinations (see note 7)	-	811,077	45,665	1,542	-	-	-	858,284
<i>Six-month period ended 30 June 2012 (Unaudited)</i>								
Additions during the period	-	70	-	9,827	5,784	-	54,244	69,925
Impairment and amortisation charge for the period	29,755	44	12,808	56,776	36,493	36,863	-	172,739
Acquired on business Combinations (see note 7)	206,373	4,362,845	217,992	938	-	220,331	-	5,008,479

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

**10 INVESTMENT PROPERTIES**

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Additions during the period	<u>268,728</u>	<u>148,845</u>
Depreciation and impairment charge for the period	<u>56,538</u>	<u>53,773</u>

**11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited) (Restated)</i>
Investment in associates	27,138,232	26,863,009
Investment in joint ventures	4,633,257	4,599,623
	<u>31,771,489</u>	<u>31,462,632</u>

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Investments made during the period	<u>46,641</u>	<u>56,420</u>
Share in results of associates and joint ventures for the period - net	<u>1,334,627</u>	<u>1,633,307</u>
Dividends received during the period	<u>(762,425)</u>	<u>(539,189)</u>
Impairment on investment in associates and joint ventures	<u>(18,733)</u>	<u>(400,000)</u>
Conversion of previously owned associate to subsidiary (see note 7(d))	<u>-</u>	<u>(1,282,930)</u>



Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

12 INVESTMENTS IN MARKETABLE SECURITIES

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Available-for-sale investments	21,602,801	17,464,503
Held-to-maturity investments	993,362	1,227,022
Fair value through profit or loss	1,933,603	2,031,898
<b>Total investment in marketable securities</b>	<b>24,529,766</b>	<b>20,723,423</b>

Disclosed as follows:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Non-current assets	20,408,332	16,109,037
Current assets	4,121,434	4,614,386
	<b>24,529,766</b>	<b>20,723,423</b>

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

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

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

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

The Group holds the following financial instruments measured at fair value:

	<i>30 June 2013 (Unaudited)</i>			
	<i>Total</i>	<i>Financial instruments carried at fair value</i>		
	<i>AED'000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Available-for-sale investments	21,602,801	12,680,471	5,478,530	3,443,800
Fair value through profit or loss	1,933,603	1,596,541	204,705	132,357
Derivative financial instruments - net	(482,332)	38,507	(499,447)	(21,392)
	<b>23,054,072</b>	<b>14,315,519</b>	<b>5,183,788</b>	<b>3,554,765</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

12 INVESTMENTS IN MARKETABLE SECURITIES (continued)

	<i>31 December 2012 (Audited)</i>			
	<i>Total</i>	<i>Financial instruments carried at fair value</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
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	(918,546)	(1,259)	(915,859)	(1,428)
	<u>18,577,855</u>	<u>13,407,398</u>	<u>1,873,439</u>	<u>3,297,018</u>

During the period ended 30 June 2013, available-for-sale financial assets with a carrying amount of AED 152 million were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available. In order to determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. Further, there have been transfers from Level 2 to Level 1 amounting to AED 95 million during the period ended 30 June 2013.

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

	<i>Six-month period ended</i>	
	<i>30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance at beginning of the period	3,297,018	3,320,293
Additional investments made during the period	258,764	397,741
Disposals during the period	(201,283)	(141,676)
Fair value movement during the period taken to consolidated income statement	113,276	(116)
Fair value movement during the period taken to other comprehensive income	86,990	(18,765)
Transfers from Level 3	-	(48,340)
Balance at the end of the period	<u>3,554,765</u>	<u>3,509,137</u>

**Reclassification out of trading securities**

In 2008, pursuant to the amendments to IAS 39 and IFRS 7, one of the banking subsidiaries of the Group reclassified certain trading securities to available-for-sale investment securities. The banking subsidiary identified financial assets eligible under the amendments, for which it had changed its intent such that it no longer held these financial assets for the purpose of selling in the short term. The banking subsidiary determined that the context of the deterioration of the financial markets during the second half of 2008 constituted rare circumstances that permit reclassification out of the trading category.

Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date. In addition, some trading securities purchased after 1 July 2008 were subsequently identified for reclassification. Post reclassification, some of the securities have been redeemed on maturity hence the current carrying and fair values reflect the value of securities that exist as at the reporting date. The table below sets out the trading securities reclassified and their current carrying and fair values:

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

12 INVESTMENTS IN MARKETABLE SECURITIES (continued)

	30 June 2013		31 December 2012		1 July 2008	
	Carrying value AED'000 (Unaudited)	Fair value AED'000 (Unaudited)	Carrying value AED'000 (Audited)	Fair value AED'000 (Audited)	Carrying value AED'000 (Audited)	Fair value AED'000 (Audited)
Trading securities reclassified to available- for- sale investment securities	27,472	27,472	164,012	164,012	993,491	993,491

The table below sets out the amounts recognised in the consolidated income statement and statement of other comprehensive income in respect of financial assets reclassified out of trading securities into available-for-sale investment securities:

	Income statement AED'000	Equity AED'000
<b>Period before reclassification (30 June 2008) (Audited)</b>		
Net trading loss	(16,661)	-
	<u>(16,661)</u>	<u>-</u>
<b>Period after reclassification (1 July 2008 – 30 June 2013) (Unaudited)</b>		
Interest income	105,435	-
Net changes in fair value	-	7,708
	<u>105,435</u>	<u>7,708</u>

The table below sets out the amounts that would have been recognised in the interim consolidated income statement for the six-month period ended 30 June 2013 had the reclassifications not been made:

	AED'000 (Unaudited)
Net trading loss	<u>901</u>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

13 ISLAMIC FINANCING AND INVESTMENT PRODUCTS

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Murabaha	16,955,973	14,440,870
Ijara	11,401,373	11,522,578
Wakala	8,328,421	5,998,426
Istisna'a	1,258,982	1,294,979
Secured overdraft and credit cards receivable	844,646	824,916
Others	1,704,173	1,482,795
	<u>40,493,568</u>	<u>35,564,564</u>
Less: Deferred income	(2,008,510)	(1,347,338)
Less: Allowance for impairment (see note (b) below)	(2,659,275)	(2,085,951)
	<u>35,825,783</u>	<u>32,131,275</u>

(a) Analysis by economic activity:

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Services and personal	17,250,698	16,117,771
Construction	9,725,610	9,383,876
Trade	1,260,051	1,124,815
Financial services	9,141,016	5,772,490
Transport and communication	281,860	196,213
Manufacturing	840,906	852,248
Agriculture and allied activities	9,913	28,568
Others	1,983,514	2,088,583
	<u>40,493,568</u>	<u>35,564,564</u>
Less: Deferred income	(2,008,510)	(1,347,338)
Less: Allowance for impairment (see note (b) below)	(2,659,275)	(2,085,951)
	<u>35,825,783</u>	<u>32,131,275</u>

Disclosed as follows:

Non-current assets	23,514,322	20,331,166
Current assets	12,311,461	11,800,109
	<u>35,825,783</u>	<u>32,131,275</u>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

13 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)

(b) Movement in allowances for impairment during the period

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Balance at the beginning of the period	2,085,951	1,423,180
Allowance for impairment made during the period	490,628	528,028
Write off during the period	-	(464)
Other transfers	82,696	-
Balance at the end of the period	<u>2,659,275</u>	<u>1,950,744</u>

14 LOANS AND RECEIVABLES

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

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Overdrafts	92,949,498	84,326,516
Time loans	99,904,878	98,186,564
Loans against trust receipts	4,430,477	3,247,580
Bills discounted	4,357,036	2,777,797
Others	4,742,688	3,794,676
	<u>206,384,577</u>	<u>192,333,133</u>
Other debt instruments	345,821	416,549
Less: Allowance for impairment (see note (b) below)	(15,611,182)	(14,509,232)
Net loans and receivables	<u>191,119,216</u>	<u>178,240,450</u>
<b>Disclosed as follows:</b>		
Non-current assets	74,501,418	72,644,622
Current assets	116,617,798	105,595,828
	<u>191,119,216</u>	<u>178,240,450</u>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

14 LOANS AND RECEIVABLES (continued)

(a) *Analysis by economic activity:*

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Services	44,858,186	41,327,226
Personal	32,373,681	28,152,267
Sovereign	80,882,046	73,865,685
Construction	26,202,595	28,977,149
Manufacturing	5,806,438	5,181,834
Trade	7,300,611	6,286,530
Transport and communication	1,886,361	2,797,857
Mining	153,212	231,871
Agriculture and allied activities	12,534	15,070
Others	7,254,734	5,914,193
Loans and receivables before allowances for impairment	206,730,398	192,749,682
Less: Allowances for impairment (see note (b) below)	(15,611,182)	(14,509,232)
Net loans and receivables	<u>191,119,216</u>	<u>178,240,450</u>

(b) *Movement in allowances for impairment during the period*

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Balance at the beginning of the period	14,509,232	11,484,232
Allowance for impairment made during the period	1,382,802	1,722,776
Impairment reversed during the period	(125,041)	(269,590)
Amounts written-off during the period	(26,656)	(63,571)
Interest unwind on impaired loans and receivables	(45,660)	(40,691)
Other transfers	(83,495)	(463)
Balance at the end of the period	<u>15,611,182</u>	<u>12,832,693</u>

15 CASH AND DEPOSITS WITH BANKS

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

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 16 CAPITAL

Capital represents the permanent capital provided by the Government and subsequent contributions in kind by the Government less repayments / return by ICD in cash or in kind.

	<i>Six-month period ended 30 June</i>	
	<i>2013 AED'000 (Unaudited)</i>	<i>2012 AED'000 (Unaudited)</i>
Balance at the beginning and end of the period	<u>64,534,449</u>	<u>64,253,449</u>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

17 OTHER RESERVES (Unaudited)

	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 replacement reserve AED '000	Translation reserve AED '000	Others AED '000	Total AED '000
Balance at 1 January 2013 as previously reported	1,668,262	1,482,398	9,179,316	17,267	3,361,277	9,141	(856,299)	(178,388)	14,992,221
Change in accounting policy (see note 2.3)	-	-	-	-	(11,250)	-	(182)	-	(11,432)
Balance at 1 January 2013 (Restated)	1,668,262	1,482,398	9,179,316	17,267	3,350,027	9,141	(856,481)	(178,388)	14,980,789
Unrealised gain on available-for-sale investments (net)	-	-	-	-	504,892	-	-	-	504,892
- ICD and its subsidiaries	-	-	-	-	154,990	-	-	-	154,990
- Associates and joint ventures	-	-	-	-	542,305	-	-	-	542,305
Gain on hedging instruments (net)	-	-	-	-	5,079	-	-	-	5,079
- ICD and its subsidiaries	-	-	-	-	-	-	-	-	-
- Associates and joint ventures	-	-	-	-	-	-	-	-	-
Foreign currency translation differences (net)	-	-	-	-	-	-	(150,459)	-	(150,459)
- ICD and its subsidiaries	-	-	-	-	-	-	(393,966)	-	(393,966)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-
Total income for the period recognised directly in equity	-	-	-	-	1,207,266	-	(544,425)	-	662,841
Transfers (to) / from retained earnings	-	(581)	-	-	-	1,030	-	(7,339)	(6,890)
Deemed disposal of investment in an associate	-	-	-	-	(813)	-	2,248	(59,458)	(58,023)
Other movements	2,314	19,145	-	-	260	-	(855)	(3,331)	17,533
<b>Total at 30 June 2013</b>	<b>1,670,576</b>	<b>1,500,962</b>	<b>9,179,316</b>	<b>17,267</b>	<b>4,556,740</b>	<b>10,171</b>	<b>(1,399,513)</b>	<b>(248,516)</b>	<b>15,596,250</b>



Investment Corporation of Dubai and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2013

17 OTHER RESERVES (Unaudited) (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 as reported in the previous year's audited financial statements	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 (net)	-	-	-	-	285,542	-	-	-	-	285,542
- ICD and its subsidiaries	-	-	-	-	6,106	-	-	-	-	6,106
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Loss on hedging instruments (net)	-	-	-	-	(270,537)	-	-	-	-	(270,537)
- ICD and its subsidiaries	-	-	-	-	(4,234)	-	-	-	-	(4,234)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences (net)	-	-	-	-	-	-	-	10,885	-	10,885
- ICD and its subsidiaries	-	-	-	-	-	-	-	(88,340)	-	(88,340)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Total income for the period recognised directly in equity	-	-	-	-	16,877	-	-	(77,455)	-	(60,578)
Transfers from / (to) retained earnings	-	1,000,544	-	-	25,761	-	1,449	-	(2,308)	1,025,446
Change in ownership	22,577	6,483	734,379	-	143,019	-	-	(110,099)	(3,308)	793,051
Other movements	-	(4,956)	-	-	1	-	-	-	13,099	8,144
Total at 30 June 2012	1,385,072	1,461,523	9,179,312	17,267	3,219,765	309,247	9,558	(1,112,130)	(178,135)	14,291,479

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 18 NON-CONTROLLING INTERESTS

Non-controlling interests includes regulatory Tier 1 Capital notes amounting to USD 1 billion (AED 3.65 billion (net of issuance cost)) issued during the period by one of the banking subsidiaries of the Group. The notes are perpetual, subordinated and unsecured and have been issued at a fixed interest rate with a reset after six years. The issuer can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and such event will not be considered an event of default. The notes carry no maturity date and have been classified under equity. Further, as the Corporation has not subscribed to these notes, it has been classified as non-controlling interests.

### 19 COMMITMENTS AND CONTINGENCIES

#### (a) Investment commitments

The Group has the following investment commitments as at period-end / year-end:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Available-for-sale investments	670,394	728,058
Group's share of investment commitments in associates	46,547	41,270
Group's share of investment commitment in joint ventures	1,145,667	4,845,869
Others	282,563	300,754
	<u>2,145,171</u>	<u>5,915,951</u>

Investment commitments in joint ventures include the Group's share of investment commitment in Emirates Aluminium Company Ltd ("EMAL").

#### (b) Operating lease commitments

##### Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at period-end / year-end are as follows:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Within one year	6,775,767	6,670,162
After one year but not more than five years	22,014,723	22,499,852
More than five years	15,514,434	16,737,202
	<u>44,304,924</u>	<u>45,907,216</u>

##### Group as lessor

Future minimum rentals receivable as at period-end / year-end are as follows:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Within one year	1,649,748	1,901,309
After one year but not more than five years	2,972,668	4,829,358
More than five years	1,248,827	1,267,069
	<u>5,871,243</u>	<u>7,997,736</u>

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

19 COMMITMENTS AND CONTINGENCIES (continued)

(c) Capital commitments

Capital expenditure contracted for / estimated but not provided for at the period-end / year-end are as follows:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Capital commitments for purchase of aircraft fleet are as follows:		
Within one year	18,893,457	14,236,351
After one year but not more than five years	75,874,363	91,236,797
More than five years	46,601,492	47,080,206
	<u>141,369,312</u>	<u>152,553,354</u>
Commitment for purchase of other property, plant and equipment	10,711,893	9,398,821
Authorised but not contracted commitment relating to other property, plant and equipment	5,426,380	3,458,533
Group's share of associates' and joint ventures' expenditure commitments	3,966,198	4,765,802
	<u>161,473,783</u>	<u>170,176,510</u>

(d) Assets held under fiduciary capacity

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

(e) Contingencies

The Group has the following contingent liabilities at the period-end / year-end:

	<i>30 June 2013 AED'000 (Unaudited)</i>	<i>31 December 2012 AED'000 (Audited)</i>
Letters of credit	9,572,504	7,149,301
Letters of guarantees	52,066,491	39,726,919
Liabilities on risk participation	3,081,671	2,270,080
Performance bonds	82,038	102,580
Group's share of guarantees in associates and joint ventures	4,126,622	4,187,311
Group's share of letter of credit in associates and joint ventures	1,286,885	977,522
Third party claim*	631,375	633,639
Acceptances	995,968	995,968

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 19 COMMITMENTS AND CONTINGENCIES (continued)

#### (e) Contingencies (continued)

\* 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 of future economic benefits are remote. Accordingly, no liability is recognised in respect of these contingencies.

#### (f) Operational commitments

At 30 June 2013, one of the Group's subsidiaries has operational commitments relating to sales and marketing amounting to AED 2,977,875 thousand (unaudited) (31 December 2012: AED 2,176,235 thousand (audited)).

#### (g) Irrevocable loan commitments

At 30 June 2013, the Group's banking operations have outstanding irrevocable undrawn loan commitments amounting to AED 21,311,731 thousand (unaudited) (31 December 2012: AED 11,580,786 thousand (audited)).

### 20 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, joint ventures, directors and key management personnel of ICD, and entities jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions 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 entities include transactions in the normal course of business with various utility companies, port authorities and financial institutions. In accordance with the exemption in the revised IAS 24, management has concluded 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.

Other significant transactions with such related parties have been disclosed as under:

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

	<i>Purchase of goods and services AED'000 (Unaudited)</i>	<i>Sale of goods and services AED'000 (Unaudited)</i>	<i>Finance income AED'000 (Unaudited)</i>	<i>Finance costs AED'000 (Unaudited)</i>	<i>Fee and commission income AED'000 (Unaudited)</i>
<i>Six-month period ended 30 June 2013</i>					
Associates and joint ventures	<u>3,930,191</u>	<u>3,943,770</u>	<u>188,852</u>	<u>52,094</u>	<u>-</u>
Government, MOF and other related parties	<u>212,737</u>	<u>552,288</u>	<u>52,753</u>	<u>356,037</u>	<u>27,924</u>
<i>Six-month period ended 30 June 2012</i>					
Associates and joint ventures	<u>3,804,227</u>	<u>4,027,750</u>	<u>123,090</u>	<u>47,656</u>	<u>-</u>
Government, MOF and other related parties	<u>97,139</u>	<u>2,623,728</u>	<u>73,619</u>	<u>352,141</u>	<u>5,247</u>

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

### 20 RELATED PARTY TRANSACTIONS (continued)

b) Amounts due from / to related parties included in the interim consolidated statement of financial position are as follows:

	<i>30 June 2013</i>		<i>31 December 2012</i>	
	<i>Receivables</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Payables</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>Receivables</i> <i>AED'000</i> <i>(Audited)</i>	<i>Payables</i> <i>AED'000</i> <i>(Audited)</i>
Associates and joint ventures	10,183,966	4,601,930	11,807,925	4,616,422
Government, MOF and other related parties	103,231,763	21,396,967	96,146,799	29,917,575
	<u>113,415,729</u>	<u>25,998,897</u>	<u>107,954,724</u>	<u>34,533,997</u>

c) Compensation to key managerial personnel

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

	<i>30 June</i> <i>2013</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>30 June</i> <i>2012</i> <i>AED'000</i> <i>(Unaudited)</i>
Short term benefits	117,021	135,347
End of service benefits	6,891	6,566
Directors' fees	7,233	6,880
	<u>131,145</u>	<u>148,793</u>

d) The investments made in associates and joint venture and dividends received from them during the period is disclosed in note 11 to these interim condensed consolidated financial statements. The distribution made to the Government has been disclosed in the interim consolidated statement of changes in equity.

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013

21 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30 June 2013 (unaudited):

	<i>Designated as fair value through profit or loss AED'000</i>	<i>Held to maturity AED'000</i>	<i>Available- for- sale AED'000</i>	<i>Loans and receivables AED'000</i>	<i>Liabilities at amortised cost AED'000</i>	<i>Derivative financial instruments AED'000</i>	<i>Total carrying value AED'000</i>
<b>Financial assets</b>							
<b>Non-derivative financial assets</b>							
Investments in marketable securities (see note 12)	1,933,603	993,362	21,602,801	-	-	-	24,529,766
Islamic financing and investment products (see note 13)	-	-	-	35,825,783	-	-	35,825,783
Loans and receivables (see note 14)	-	-	-	191,119,216	-	-	191,119,216
Other non-current assets	-	-	-	17,897,234	-	-	17,897,234
Trade and other receivables	-	-	-	31,350,616	-	-	31,350,616
Customer acceptances	-	-	-	4,585,340	-	-	4,585,340
Cash and deposits with banks (see note 15)	-	-	-	91,681,561	-	-	91,681,561
<b>Derivative financial assets</b>							
Positive fair value of derivatives	-	-	-	-	-	2,306,971	2,306,971
	<u>1,933,603</u>	<u>993,362</u>	<u>21,602,801</u>	<u>372,459,749</u>	<u>-</u>	<u>2,306,971</u>	<u>399,296,486</u>
<b>Financial liabilities</b>							
<b>Non-derivative financial liabilities</b>							
Customer deposits	-	-	-	-	167,193,871	-	167,193,871
Islamic customer deposits	-	-	-	-	35,182,654	-	35,182,654
Borrowings and lease liabilities	-	-	-	-	155,712,752	-	155,712,752
Other non-current payables	-	-	-	-	3,142,424	-	3,142,424
Customer acceptances	-	-	-	-	4,585,339	-	4,585,339
Deposits under repurchase agreement	-	-	-	-	187,158	-	187,158
Trade and other payables	-	-	-	-	45,899,051	-	45,899,051
<b>Derivative financial liabilities</b>							
Negative fair value of derivatives	-	-	-	-	-	2,789,303	2,789,303
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,903,249</u>	<u>2,789,303</u>	<u>414,692,552</u>

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

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2013

21 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

31 December 2012 (audited):

	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 12)	2,031,898	1,227,022	17,464,503	-	-	-	20,723,423
Islamic financing and investment products (see note 13)							
Loans and receivables (see note 14)	-	-	-	32,131,275	-	-	32,131,275
Other non-current assets	-	-	-	178,240,450	-	-	178,240,450
Trade and other receivables	-	-	-	19,810,329	-	-	19,810,329
Customer acceptances	-	-	-	25,813,030	-	-	25,813,030
Cash and deposits with banks (see note 15)	-	-	-	6,301,961	-	-	6,301,961
Derivative financial assets	-	-	-	75,349,962	-	-	75,349,962
Positive fair value of derivatives	-	-	-	-	-	2,413,666	2,413,666
	<u>2,031,898</u>	<u>1,227,022</u>	<u>17,464,503</u>	<u>337,647,007</u>	<u>-</u>	<u>2,413,666</u>	<u>360,784,096</u>
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits	-	-	-	-	158,082,228	-	158,082,228
Islamic customer deposits	-	-	-	-	32,977,582	-	32,977,582
Borrowings and lease liabilities	-	-	-	-	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 agreement	-	-	-	-	730,873	-	730,873
Trade and other payables	-	-	-	-	37,278,728	-	37,278,728
Derivative financial liabilities							
Negative fair value of derivatives	-	-	-	-	-	3,332,212	3,332,212
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>368,425,134</u>	<u>3,332,212</u>	<u>371,757,346</u>

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

**22 SUBSEQUENT EVENTS**

Subsequent to the period end, ICD obtained Islamic and conventional financing facilities amounting to USD 2.55 billion from three agents and repaid Tranche B of the syndicated / Sharikat Al Melk facilities and certain bilateral facilities.



**Investment Corporation of Dubai  
and its subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2012**

## 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 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and 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*

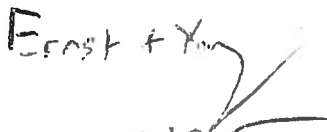
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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

02 July 2013

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>*(Restated)</i>
<b>Continuing operations</b>			
Revenues	3	<b>160,758,115</b>	142,351,358
Cost of revenues	4	<b>(130,799,882)</b>	(112,389,914)
		<b>29,958,233</b>	29,961,444
Other income	5	<b>4,763,105</b>	4,342,016
Gain on disposal of stake in an indirect subsidiary or / and fair value gain on retained interest in joint venture	26(b) and 26(d)	<b>6,793</b>	1,812,799
Net gain from derivative instruments	6	<b>181,176</b>	206,411
General, administrative and other expenses		<b>(14,612,841)</b>	(14,161,525)
Net impairment losses on financial assets	7	<b>(4,218,800)</b>	(6,352,789)
Other finance income	8	<b>1,179,818</b>	1,110,746
Other finance costs	9	<b>(2,556,848)</b>	(2,200,586)
Gain in respect of associates and joint ventures	18	<b>2,711,509</b>	2,500,815
<b>PROFIT FOR THE YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>		<b>17,412,145</b>	17,219,331
Income tax expense	10	<b>(976,365)</b>	(992,868)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>16,435,780</b>	16,226,463
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	26(b) and 12(b)	<b>32,981</b>	679,874
<b>PROFIT FOR THE YEAR</b>	11	<b>16,468,761</b>	16,906,337
<b>Attributable to:</b>			
The equity holder of ICD		<b>13,972,395</b>	14,424,334
Non-controlling interests		<b>2,496,366</b>	2,482,003
		<b>16,468,761</b>	16,906,337

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>*(Restated)</i>
<b>PROFIT FOR THE YEAR</b>	<b>16,468,761</b>	16,906,337
<b>Other comprehensive income</b>		
Net movement in fair value of available-for-sale investments and cash flow hedges	<b>265,277</b>	441,554
Actuarial loss on defined benefit plan	<b>(24,636)</b>	(146,378)
Foreign currency translation differences	<b>115,719</b>	(50,615)
Group's share in other equity movements of equity accounted investees	<b>154,939</b>	(358,408)
Other movements	-	(7,531)
<b>Other comprehensive income for the year</b>	<b>511,299</b>	(121,378)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>16,980,060</b>	16,784,959
<b>Attributable to:</b>		
The equity holder of ICD	<b>14,291,507</b>	14,236,609
Non-controlling interests	<b>2,688,553</b>	2,548,350
	<b>16,980,060</b>	16,784,959

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 AED'000	2011 AED'000 *(Restated)	2010 AED'000 *(Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	98,970,496	77,346,609	87,271,604
Intangible assets	15	20,217,384	14,006,686	13,611,930
Investment properties	16	7,372,306	7,258,944	149,519,337
Development properties	17	320,804	295,909	2,036,666
Investments in associates and joint ventures	18	31,618,219	30,046,784	27,618,582
Investments in marketable securities	19	16,109,037	17,159,915	15,452,097
Other non-current assets	20	20,979,230	14,517,524	16,790,900
Islamic financing and investment products	23	20,331,166	16,622,589	11,787,098
Loans and receivables	24	72,644,622	76,348,007	80,888,516
Cash and deposits with banks	25	2,495,055	1,925,820	18,357
Positive fair value of derivatives	32	1,681,784	1,909,086	1,867,466
Deferred tax asset	10	142,675	26,916	18,219
		<b>292,882,778</b>	<b>257,464,789</b>	<b>406,880,772</b>
<b>Current assets</b>				
Investments in marketable securities	19	4,614,386	3,859,358	4,995,724
Inventories	21	11,151,322	9,636,445	7,866,376
Trade and other receivables	22	27,673,573	26,890,068	20,240,889
Islamic financing and investment products	23	11,800,109	12,589,994	7,984,506
Loans and receivables	24	105,595,828	92,450,823	88,842,620
Cash and deposits with banks	25	72,854,907	60,592,275	76,592,551
Positive fair value of derivatives	32	731,882	1,199,988	1,185,773
Customer acceptances		6,301,961	3,777,759	4,632,810
		<b>240,723,968</b>	<b>210,996,710</b>	<b>212,341,249</b>
Assets classified as held for sale	26	10,033	-	827,829
		<b>240,734,001</b>	<b>210,996,710</b>	<b>213,169,078</b>
<b>TOTAL ASSETS</b>		<b>533,616,779</b>	<b>468,461,499</b>	<b>620,049,850</b>

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2012

	Notes	2012 AED'000	2011 AED'000 *(Restated)	2010 AED'000 *(Restated)
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to the equity holder of ICD</b>				
Capital	27	64,534,449	64,253,449	224,394,919
Retained earnings		38,774,772	28,103,765	19,366,644
Other reserves	29	14,992,221	12,544,895	12,384,376
		<u>118,301,442</u>	<u>104,902,109</u>	<u>256,145,939</u>
<b>Non-controlling interests</b>		<b>23,698,292</b>	<b>22,550,123</b>	<b>20,983,137</b>
		<u>141,999,734</u>	<u>127,452,232</u>	<u>277,129,076</u>
<b>Total equity</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits	30	1,547,353	1,405,823	1,212,257
Borrowings and lease liabilities	31	79,144,637	59,308,608	65,383,974
Negative fair value of derivatives	32	2,651,944	2,728,544	2,601,409
Other non-current payables	33	4,714,265	3,043,583	2,666,196
Customer deposits	35	15,277,375	11,907,440	12,279,365
Islamic customer deposits	36	6,074,115	4,709,500	5,100,148
Deferred tax liability	10	971,170	633,190	483,999
		<u>110,380,859</u>	<u>83,736,688</u>	<u>89,727,348</u>
<b>Current liabilities</b>				
Employees' end of service benefits	30	1,342	831	1,179
Borrowings and lease liabilities	31	52,517,539	52,282,121	53,713,653
Negative fair value of derivatives	32	680,268	475,475	543,846
Trade and other payables	34	50,217,862	33,417,459	33,859,701
Customer deposits	35	142,804,853	132,444,032	127,683,740
Islamic customer deposits	36	26,903,467	31,400,461	30,797,517
Deposits under repurchase agreements	37	730,873	2,519,660	892,309
Current income tax liability		1,067,937	940,444	584,954
Customer acceptances		6,301,961	3,777,759	4,632,810
Deferred tax liability	10	-	14,337	-
		<u>281,226,102</u>	<u>257,272,579</u>	<u>252,709,709</u>
<b>Liabilities directly associated with assets classified as held for sale</b>	26	<b>10,084</b>	<b>-</b>	<b>483,717</b>
		<u>281,236,186</u>	<u>257,272,579</u>	<u>253,193,426</u>
<b>Total liabilities</b>		<b>391,617,045</b>	<b>341,009,267</b>	<b>342,920,774</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>533,616,779</b>	<b>468,461,499</b>	<b>620,049,850</b>

.....  
Director

.....  
Director

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

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

# Investment Corporation of Dubai and its subsidiaries

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <b>AED'000</b>	<b>2011</b> <b>AED'000</b> <i>*(Restated)</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		<b>17,412,145</b>	17,219,331
Profit before tax from discontinued operations		<b>46,352</b>	679,874
		<b>17,458,497</b>	17,899,205
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	11	<b>8,129,354</b>	7,867,983
Impairment allowance on loans and receivables	24	<b>3,180,719</b>	4,130,568
Impairment allowance on Islamic financing and investment products	23	<b>673,497</b>	564,166
Amortisation and impairment of intangible assets	11	<b>529,206</b>	355,931
Gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	5	<b>(38,596)</b>	(241,577)
Fair value gain on investment securities	19	<b>(21,608)</b>	(13,441)
Impairment loss on available-for-sale investments	7	<b>210,411</b>	812,719
Operating and other finance income		<b>(11,212,012)</b>	(12,081,077)
Operating and other finance costs		<b>5,498,685</b>	5,783,871
Net gain in respect of associates and joint ventures	18	<b>(2,711,509)</b>	(2,500,815)
Provision for employees' end of service benefits	30	<b>801,150</b>	656,261
Impairment loss on investments in associate and joint venture	18	<b>407,725</b>	756,954
Gain on disposal of stake in an indirect subsidiary classified as discontinued operations		<b>(19,934)</b>	(956,581)
Reversal of provision for impairment on amount due from a related party	7 & 20.3	<b>(398,737)</b>	-
Gain on deemed disposal of previously owned associate	5, 18 & 13(a)	<b>(224,260)</b>	-
Fair value gain on retained interest in an indirect subsidiary		<b>-</b>	(856,218)
		<b>22,262,588</b>	22,177,949
Working capital changes:			
Inventories		<b>(314,814)</b>	(553,865)
Trade and other receivables		<b>(583,418)</b>	(7,873,111)
Trade and other payables		<b>14,685,529</b>	802,043
Loans and receivables		<b>(12,622,339)</b>	(3,198,262)
Statutory deposits (banking operations)		<b>(2,235,333)</b>	17,809,601
Deposits with banks with original maturity over three months (banking operations)		<b>(2,295,667)</b>	(2,777,969)
Customer deposits including Islamic customer deposits		<b>10,598,377</b>	(7,904,337)
Fair value of derivatives		<b>786,785</b>	2,929
Islamic financing and investment products with original maturity over three months		<b>(4,868,063)</b>	54,850
Other non-current assets		<b>(8,390,062)</b>	3,904,664
Other non-current payables		<b>831,425</b>	189,387
Net cash from operations		<b>17,855,008</b>	22,633,879
Employees' end of service benefits paid	30	<b>(662,533)</b>	(552,593)
Taxes paid		<b>(747,231)</b>	(516,884)
Operating finance income received		<b>10,032,194</b>	10,970,331
Operating finance costs paid		<b>(2,941,837)</b>	(3,583,285)
Exchange translation reserve and other movements		<b>129,003</b>	(59,286)
Net cash generated from operating activities		<b>23,664,604</b>	28,892,162

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

# Investment Corporation of Dubai and its subsidiaries

## CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>*(Restated)</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		<b>(13,327,731)</b>	(11,186,977)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback		<b>1,211,133</b>	1,280,066
Acquisition of subsidiaries		<b>(21,429)</b>	(200,000)
Other finance income received		<b>1,179,818</b>	1,110,746
Proceeds from sale of discontinued operations		<b>19,934</b>	-
Net movements in investments in marketable securities		<b>407,165</b>	(1,410,913)
Investments in associates and joint ventures		<b>(1,083,579)</b>	(436,094)
Dividend from associates and joint ventures	18	<b>877,878</b>	800,113
Net movement in deposits with banks with original maturity over three months (non-banking operations)		<b>(6,456,897)</b>	2,814,372
Payments for shares repurchased by an indirect subsidiary of the Group		<b>(750,200)</b>	(145,376)
Sale of investment in a subsidiary		-	1,551,300
Net movement in non-controlling interests		-	236
Net cash used in investing activities		<b>(17,943,908)</b>	(5,822,527)
<b>FINANCING ACTIVITIES</b>			
Distribution to the Government	28	<b>(1,166,933)</b>	(4,994,600)
Net movement in borrowings and lease liabilities		<b>3,338,127</b>	(17,005,284)
Net movement in deposit under repurchase agreements		<b>(1,788,787)</b>	1,627,351
Other finance costs paid		<b>(2,556,848)</b>	(2,200,586)
Directors' fees paid		<b>(11,460)</b>	(12,778)
Dividend paid to the non-controlling interests		<b>(922,815)</b>	(882,338)
Net cash used in financing activities		<b>(3,108,716)</b>	(23,468,235)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,611,980</b>	(398,600)
Cash and cash equivalents acquired on transfer of entities and business combinations		<b>1,326,946</b>	893,990
Cash and cash equivalents at the beginning of the year		<b>9,051,468</b>	8,556,078
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	25	<b>12,990,394</b>	9,051,468

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

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



Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
Year ended 31 December 2012

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 27)	Retained earnings AED '000	Other reserves AED '000 (see note 29)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2012 (Restated) *	64,253,449	28,103,765	12,544,895	104,902,109	22,550,123	127,452,232
Profit for the year	-	13,972,395	-	13,972,395	2,496,366	16,468,761
Other comprehensive income for the year	-	(24,636)	343,748	319,112	192,187	511,299
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>13,947,759</b>	<b>343,748</b>	<b>14,291,507</b>	<b>2,688,553</b>	<b>16,980,060</b>
Increase in capital during the year (see note 27)	281,000	-	-	281,000	-	281,000
Distribution paid to the Government (see note 28)	-	(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 (see note 12(a))	-	(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 13(a))	-	-	-	-	853,420	853,420
Transfers	-	(1,301,968)	1,301,052	(916)	916	-
Increase in non-controlling interests	-	-	-	-	2,917	2,917
Other movements	-	(93,261)	9,306	(83,955)	8,496	(75,459)
<b>Balance at 31 December 2012</b>	<b>64,534,449</b>	<b>38,774,772</b>	<b>14,992,221</b>	<b>118,301,442</b>	<b>23,698,292</b>	<b>141,999,734</b>

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2012

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 27)	Retained earnings AED '000	Other reserves AED '000 (see note 29)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2011 as previously reported	224,394,919	19,587,734	12,384,376	256,367,029	20,983,137	277,350,166
Change in accounting policy (see note 2.3)	-	(221,090)	-	(221,090)	-	(221,090)
Balance at 1 January 2011 (Restated) *	224,394,919	19,366,644	12,384,376	256,145,939	20,983,137	277,129,076
Profit for the year	-	14,424,334	-	14,424,334	2,482,003	16,906,337
Other comprehensive income for the year	-	(153,909)	(33,816)	(187,725)	66,347	(121,378)
Total comprehensive income for the year	-	14,270,425	(33,816)	14,236,609	2,548,350	16,784,959
Transfer of freehold land contributed by the Government (see note 27)	80,396	-	-	80,396	847	81,243
Capital returned to the Government (see note 27)	(154,520)	-	-	(154,520)	-	(154,520)
Arising on transfer of subsidiaries to the Government (see note 12)	(160,067,346)	(185,563)	-	(160,252,909)	-	(160,252,909)
Distribution paid to the Government (see note 28)	-	(4,994,600)	-	(4,994,600)	-	(4,994,600)
Directors' fees in subsidiaries, associates and joint ventures	-	(12,780)	-	(12,780)	(7,801)	(20,581)
Dividend paid to non-controlling interests	-	-	-	-	(882,338)	(882,338)
Shares purchased and cancelled by an indirect subsidiary	-	(46,114)	-	(46,114)	(99,262)	(145,376)
Transfers	-	(181,580)	181,580	-	-	-
Increase in non-controlling interests	-	-	-	-	149	149
Other movements	-	(112,667)	12,755	(99,912)	7,041	(92,871)
Balance at 31 December 2011	64,253,449	28,103,765	12,544,895	104,902,109	22,550,123	127,452,232

\* Certain comparatives as disclosed in note 2.3 have been restated due to the early adoption of IAS 19 by the Group.

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

# Investment Corporation of Dubai and its subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 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 have been prepared in accordance with International Financial Reporting Standards.

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.

#### **Basis of consolidation**

The consolidated financial statements for the year ended 31 December 2012 comprise results of operations and the financial position of ICD and its subsidiaries (together referred to as the “Group”) and the Group’s interest in the net assets of its associates and joint ventures. The list of ICD’s significant subsidiaries, associates and joint ventures is provided in note 41.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as ICD, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- 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 and loss; and
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.

## 2.2 THE ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2012:

- IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)
- IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)
- IFRS 7 - Disclosures - Transfers of financial assets (Amendment)

The adoption of the Standards or interpretations is described below:

- *IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)*  
This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012. The amendment had no effect on the financial position or performance of the Group.
- *IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*  
When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements. The amendment had no effect on the financial position or performance of Group.
- *IFRS 7 - Disclosures - Transfers of financial assets (Amendment)*  
The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements. The amendment had no significant effect on the financial position or performance of the Group.

The Group has not early adopted any other Standard, interpretation or amendment that has been issued but is not yet effective, except for early adoption of IAS 19 Employee Benefits (amendment) as explained in note 2.3 to the consolidated financial statements.

## 2.3 CHANGES IN ACCOUNTING POLICIES

The Group has voluntarily changed its accounting policy for the recognition of retirement benefit obligations from the corridor to the equity approach with effect from 1 January 2012. This is consistent with the direction that the International Accounting Standards Board (IASB) has taken to reflect retirement benefit obligations more appropriately. As a result of such change in accounting policy, actuarial gains and losses are recognised in equity through other comprehensive income in the period in which they arise. Previously, actuarial gains and losses in excess of the corridor limits determined in accordance with IAS 19, were charged/credited in the consolidated income statement over the period of expected average remaining working lives of the employees participating in the retirement benefit plan.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 2.3 CHANGES IN ACCOUNTING POLICIES (continued)

In line with the guidance provided in IAS 8, the change in accounting policy has been applied retrospectively and comparative figures have been restated. Retained earnings and investments in associates and joint ventures at 1 January 2011 have decreased by AED 221,090 thousand and AED 102,547 thousand respectively while retirement benefit obligations at that date has increased by AED 118,543 thousand.

	<i>December 2012 AED '000</i>	<i>December 2011 AED '000</i>	<i>December 2010 AED '000</i>
Increase / (decrease) in share in results of associates and joint ventures	(16,636)	2,592	-
Decrease in operating costs	38,850	15,131	-
Increase in profit before income tax	22,214	17,723	-
Decrease in other comprehensive income	24,636	146,378	-
Decrease in total comprehensive income	2,422	128,655	-
Decrease in investments in associates and joint ventures	116,591	99,955	102,547
Increase in retirement benefit obligations	235,576	249,790	118,543
Decrease in retained earnings	352,167	349,745	221,090

#### 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.

##### *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, 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) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

##### *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Management believes that there will be no impact of this on the financial position or performance of the Group.

##### *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". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

##### *IFRS 1 Government Loans – Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group's consolidated financial statements.

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

*IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

*IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address 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 is not expected to have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

*IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact of this Standard on the financial position or performance of the Group.

*IFRS 11 Joint Arrangements*

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 must be accounted for using the equity method. The Group is currently assessing the impact of this Standard on the financial position or performance of the Group. This Standard becomes effective for annual periods beginning on or after 1 January 2013.

*IFRS 12 Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This Standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact of this Standard on the financial position or performance of the Group.

*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. The Group is currently assessing the impact that this standard will have on the financial position and performance of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

*IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

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

### *Annual Improvements May 2012*

These improvements will not have an impact on the Group, but include:

### *IFRS 1 First-time Adoption of International Financial Reporting Standards*

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

### *IAS 1 Presentation of Financial Statements*

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

### *IAS 16 Property Plant and Equipment*

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

### *IAS 32 Financial Instruments, Presentation*

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

### *IAS 34 Interim Financial Reporting*

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

## 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### *Distinction between investment properties and owner-occupied properties*

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

### *Classification of investments*

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.

**2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Classification of investments (continued)*

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 investments 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 mathematical 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 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.

*Income taxes*

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

*Frequent flyer programme / customer loyalty programme*

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

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

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

*Development and production assets – depletion*

One of the Group's 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 275.63 (USD 75) per barrel to AED 294 (USD 80) per barrel from 1 January 2012 and from AED 294 (USD 80) per barrel to AED 312.38 (USD 85) per barrel from 1 August 2012. 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.



## 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *Development and production assets – depletion (continued)*

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) from 1 January 2012, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of AED 41.16 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) from 1 January 2012, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of AED 81.59 million for the year.

If the expected gas sales were delayed to 2017, the depletion charge for the year would increase by AED 20.95 million.

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").

### *Portfolio impairment provision (PIP)*

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).

**2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*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 values 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 and selects a suitable discount rate in order to calculate the present value of those cash flows.

*Valuation of intangible assets on acquisition*

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

*Amortisation of intangible assets*

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

*Impairment of investments in associates and joint ventures (equity accounted investments)*

At each reporting date, an assessment is made whether there is any objective evidence of impairment in the carrying values of investments in associates and joint ventures. In such instances, the investment is subject to an impairment test by comparing the carrying amount to the recoverable amount of the asset. Considering the long term nature of these investments, the recoverable amount is determined based on the value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted investments. 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. Thus, for such investments the Group develops its own estimated cash flows using publicly available data or analysts forecasts, as appropriate.

## 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *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 leasing and commercial and 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 the fair value to assign to each element, or should 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 salability 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Business combinations and goodwill (continued)**

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 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

### **Interest in joint ventures**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's investments in joint ventures are accounted for under the equity method of accounting.

Under the equity method, 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, when applicable, in the consolidated statement of 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Investments in associates**

The Group's investments in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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, when applicable, in the consolidated statement of 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 an associate 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.

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 'gain/(loss) in respect of associates and joint venture' 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 normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and SPE. Day-to-day changes in the market conditions normally do not lead to a reassessment of control.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Special Purpose Entities (continued)**

One of the Group's subsidiaries, involved in airline operations in the normal course of business, enters into agreements to provide engine repair, maintenance and overhaul services. Certain of these agreements establish trust accounts in which the customer will deposit cash, generally in advance of the services to be performed under the contract, based on an agreed upon engine operating fee. Subject to the terms of each agreement, the Group will generally receive cash distributions from the trust accounts when maintenance work is performed. Actual gross payments by the customer into the trust accounts could exceed the cost of services performed by the Group. Under the term of the agreements, the Group would receive the benefit of the remaining proceeds in the trust account upon completion of the contract, if any. The Group has determined that the trust accounts are special purpose entities (SPEs) as the Group derives the majority of the rewards from its activities and bears most of the risk. Based on this determination, the Group consolidates the trust accounts in its consolidated financial statements.

**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.

**Fiduciary activities**

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.

**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 United Arab Emirates Dirhams, 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 the weighted 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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 - 50 years
Leasehold premises	Lower of asset's useful life or lease term
Buildings and leasehold improvements	Lower of lease term or useful life of 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 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.

When significant parts 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 subsidiaries and the State Agency for management use of Hydrocarbon Resource in Turkmenistan. 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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

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. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, which are inherently uncertain. Future oil prices have an impact on the proportion of the reserves which are attributable to the Group under the terms of the PSA.

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.

*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 proved 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 proved 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*

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.



## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Property, plant and equipment (continued)**

#### *Aircraft held for lease (continued)*

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.

Expenditures incurred to transfer an aircraft from one lessee to another due to either lease termination or bankruptcies are expensed as incurred as aircraft transition costs.

#### *Aircraft purchase deposits*

Aircraft purchase deposits are included in capital work in progress and it represents the progress payments, including capitalised interest, with various aircraft manufacturers. The aircrafts on order are scheduled to be delivered from 2013 through 2015.

### **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 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 companies are classified as investment properties. The Group has adopted the cost model for accounting for its investment property. Accordingly, 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties (continued)

Cost is defined either as cost of construction, acquisition cost or deemed cost, being the fair value determined by the Land Department of the Government of Dubai or a combination of both, 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 property 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 property 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 property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, the Group accounts for such property in accordance with the policy stated under Inventories up to 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 lower of cost less 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 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 as investment property, property, plant and equipment or inventory depending on its future intended use. No depreciation is charged during the development period.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 charged against profits 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.

The Group has interests in entities which are in the process of acquiring mining rights. A part of the amount paid by the Group towards the cost of acquisition of interest in these entities is allocated to the mining rights. The amount paid towards potential acquisition of mining rights is classified as intangible assets as part of cost of investment. These amounts will be amortised over the estimated life of economic output from the assets once the rights are acquired by the entities.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives as follows:

Service rights	<i>15 years</i>
Concession agreements	<i>9 - 50 years</i>
Customer relationships	<i>upto 10 years</i>
Computer software	<i>3 - 7 years</i>
Contractual rights*	<i>Over the term of rights</i>
Licenses (including trade names and exclusive rights)	<i>upto 50 years</i>

\*Included in contractual rights are 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 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 Company 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Research and development expenditure (continued)

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

### Investments and other non-current assets

Financial assets within the scope of IAS 39 are classified as either:

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

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

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

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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments and other non-current assets (continued)**

**ii) Loans and receivables (continued)**

*Trade and other receivables*

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

*Due from banks and deposits*

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

*Islamic financing and investing products*

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

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

*Fiduciary assets*

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

**iii) Held-to-maturity investments**

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

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

**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 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment of non-financial assets (continued)**

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.

#### *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 venture 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 associate 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 been 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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

#### *Individually assessed loans and advances*

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

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

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

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

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

#### *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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

#### *Incurring but not yet identified impairment (continued)*

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 occurring 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 occurring 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 collective basis is calculated as follows:

When appropriate empirical information is available, the Group utilises 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.

#### *Write-off of loans and advances*

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

#### *Reversals of impairment*

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

#### *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.



# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Work in progress and excess billings

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

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.

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 sales.

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.

#### 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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities at fair value through profit or loss (continued)**

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.

*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**

One of the Group's subsidiaries 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, one of the Group's subsidiaries operates a Plus points rewards programme which allows customers to accumulate points when they purchase products on the Group'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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 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.

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 Group 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, together with adjustments for unrecognised past-service costs and unamortised actuarial gains and losses. 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 corporate 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 and are not reclassified to profit or loss in subsequent periods.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee 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.

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 subsidiary'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.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 charged to 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.

*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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **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 and receivables to 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 comprises current and deferred tax. Income tax expense also includes any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group operates.

#### *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.

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.

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Derivative financial instruments and hedging (continued)**

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.

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.

### **Assets classified as held for sale**

Assets and liabilities are classified as held for sale if their carrying amount is to be principally recovered primarily through a sale transaction that is highly probable to complete within one year from the date of such classification, rather than through continuing use. Such assets and liabilities are not netted. In the period where an asset or liability is recognised for the first time as held for sale, these assets and liabilities are shown separately on the face of the consolidated statement of financial position. However, the consolidated statement of financial position for the comparative prior period presented is not restated.

These assets and liabilities held for sale are measured in line with the Group's accounting policies.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 a subsidiary of 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 the Group'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 Group's software. Revenue is generally recognised when a signed agreement or other persuasive evidence of an arrangement exists, the software has been delivered either physically or electronically, the license fee is fixed or determinable, and collection of the resulting receivable is reasonably assured. The Group recognises software license revenue based on the "Residual Method"; the fair value of the undelivered elements is deferred and the remaining portion of the fee is allocated to the delivered elements (generally the software licence).

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

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

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



**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

*Sale of software and licensed products (continued)*

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.

*Profit on 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.

*Exhibitions*

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

*Real estate revenue*

Revenue from sale of trading properties is recognised in the consolidated income statement when the significant risks and rewards of ownership 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.

*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 operating 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 2012, 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)**

*Interest*

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.

Interest income and expense 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 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 'Interest 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 hotel during the period, whether invoiced or not. Revenue is stated net of municipal fees and service charges.

*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.

*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.

*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.

*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 statements with corresponding amounts as other assets and liabilities as the case may be.

*Golf related operations*

Revenue in this category represents income derived directly and indirectly from the golf operations and food and beverages sold by the restaurants. Revenue is stated net of municipality fees and discounts.

*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).

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### *Income from Islamic financing and investment products (continued)*

##### *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 bank's total Istissna'a cost) are accounted for on a time proportion basis.

##### *Ijara*

An agreement, whereby the Group (lessor) leases an asset to a customer (lessee), for a specific period and against certain rent installments. Ijara could end by transferring the ownership of the asset to the lessee at the end of the agreement or substantially 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-UI-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-UI-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-UI-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 proportion basis that reflects the effective yield on the asset.

**2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Bond Holders' share of profit**

Profit to Bond Holders 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.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 3 REVENUES

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Transportation and related services	<b>76,002,586</b>	64,068,595
Oil and gas products/services	<b>53,515,273</b>	45,523,629
Banking and financial services (see note (a) below)	<b>12,234,159</b>	13,349,283
Industrial manufacturing	<b>9,767,967</b>	11,143,813
Retail trade	<b>5,935,010</b>	5,446,919
Rental income	<b>1,796,432</b>	1,742,808
Hotels and leisure	<b>231,086</b>	199,488
Contract revenue	<b>149,304</b>	140,793
Other investment income	<b>126,105</b>	163,476
Others	<b>1,000,193</b>	572,554
	<b>160,758,115</b>	142,351,358

a) Revenues from banking and financial services include:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Interest income and profit on loans and receivables and Islamic financing and investment products to customers	<b>9,851,475</b>	10,602,480
Fee and commission income	<b>1,723,872</b>	1,858,704
Interest income and profit on loans to and receivables from banks	<b>180,719</b>	367,851
Interest income on available-for-sale securities	<b>271,761</b>	294,688
Others	<b>206,332</b>	225,560
	<b>12,234,159</b>	13,349,283

### 4 COST OF REVENUES

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Transportation and related services	<b>65,336,207</b>	54,882,751
Oil and gas products/services (see note (a) below)	<b>49,023,640</b>	40,599,937
Industrial manufacturing	<b>7,658,403</b>	7,867,079
Retail trade	<b>3,800,567</b>	3,574,139
Banking and other financial services (see note (b) below)	<b>3,568,408</b>	4,199,534
Rental expense	<b>967,610</b>	951,780
Hotels and leisure	<b>122,622</b>	108,168
Contract costs	<b>121,663</b>	74,846
Others	<b>200,762</b>	131,680
	<b>130,799,882</b>	112,389,914

a) The cost of revenue of oil and gas products/services is net of a government grant amounting to AED 2,555 million in 2012 (2011: AED 2,375 million) which is provided by the Government to compensate the Group for the losses arising from the requirement to sell retail gasoline at a fixed price in the United Arab Emirates.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 4 COST OF REVENUES (continued)

b) Cost of revenues for banking and other financial services include:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Interest expense and profit on deposits from customers	1,727,654	2,076,321
Interest expense and profit on borrowings from banks and other financial institutions	423,301	641,146
Distribution to depositors and profit paid to sukuk holders	790,882	865,818
Fee and commission expenses	146,283	163,743
Others	480,288	452,506
	<u>3,568,408</u>	<u>4,199,534</u>

#### 5 OTHER INCOME

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Foreign exchange income	955,554	621,835
Net gain on sale of investment securities	436,270	274,152
Liquidated damages	1,090,986	133,263
Net change in fair value of investments carried at fair value through profit or loss (see note 19)	21,608	13,441
Dividend income	196,572	108,122
Gain on sale and leaseback of aircraft	26,432	166,858
Reversal of provision (see note 5.1)	-	551,250
Gain on disposal of property, plant and equipment, investment properties and intangible assets	12,164	74,719
Gain on deemed disposal of previously owned associate (see notes 13(a) and 18)	224,260	-
Gain on sale of a jointly controlled entity	61,508	-
Others	1,737,751	2,398,376
	<u>4,763,105</u>	<u>4,342,016</u>

5.1 During prior years, the Group made a provision of AED 551,250 thousand in respect of an anticipated loss pertaining to the committed purchase of certain operations of a related party. Such commitment was valid until 16 April 2012.

During 2011, this provision was reversed by the Group as the related party distributed those operations to the Group as a dividend.

#### 6 NET GAIN FROM DERIVATIVE INSTRUMENTS

This includes primarily gains on commodity derivative contracts.

#### 7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Impairment loss on loans and receivables - net of recoveries (see note 24)	3,180,719	4,130,568
Impairment loss on trade and other receivables - net of recoveries (see note 22)	114,882	34,787
Impairment loss on available-for-sale investments	210,411	812,719
Impairment loss on investments in associates and joint ventures (see note 18)	407,725	756,954
Impairment loss on Islamic financing and investment products (see note 23)	673,497	564,166
Other impairment losses - net	32,164	56,496
Reversal of provision for impairment on amount due from a related party (see note 20.3)	(398,737)	-
Net special asset recoveries	(1,861)	(2,901)
	<u>4,218,800</u>	<u>6,352,789</u>



Investment Corporation of Dubai and its subsidiaries

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At 31 December 2012

**8 OTHER FINANCE INCOME**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Interest income and profit from bank deposits	<b>726,899</b>	570,498
Interest income and profit from related parties (see note 39(a))	<b>379,539</b>	451,178
Other interest income	<b>73,380</b>	89,070
	<u><b>1,179,818</b></u>	<u>1,110,746</u>

**9 OTHER FINANCE COSTS**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Finance costs on bank borrowings	<b>935,371</b>	755,899
Interest on loans from related parties (see note 39(a))	<b>826,616</b>	891,769
Finance charges on finance leases and hire purchase contracts	<b>701,748</b>	495,009
Others	<b>93,113</b>	57,909
	<u><b>2,556,848</b></u>	<u>2,200,586</u>

**10 INCOME TAX EXPENSE**

The components of income tax expense are as follows:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<i>Current income tax</i>		
Current income tax charge	<b>887,100</b>	858,504
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	<b>89,265</b>	134,364
Income tax expense	<b>976,365</b>	992,868
Income tax attributable to discontinued operations (see note 26 (b))	<b>13,371</b>	-
	<u><b>989,736</b></u>	<u>992,868</u>

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. A subsidiary which operates in a large number of tax jurisdictions has secured tax exemptions by virtue of double taxation agreements and reciprocal arrangements in most of the jurisdictions in which it 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.

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At 31 December 2012

**10 INCOME TAX EXPENSE (continued)**

**Deferred income tax**

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

	<i>Consolidated statement of financial position 2012 AED'000</i>	<i>Consolidated income statement 2012 AED'000</i>
<i>Deferred tax liability</i>		
Accelerated depreciation for tax purposes	784,022	151,452
Tax effect of intangible assets and other timing differences	187,148	(49,942)
	<u>971,170</u>	<u>101,510</u>
<i>Deferred tax asset</i>		
Losses available for offset against future taxable income	34,596	(1,189)
Other timing differences	101,428	(11,747)
Inventory	6,651	691
	<u>142,675</u>	<u>(12,245)</u>
Deferred income tax		<u><u>89,265</u></u>
	<i>Consolidated statement of financial position 2011 AED'000</i>	<i>Consolidated income statement 2011 AED'000</i>
<i>Deferred tax liability</i>		
Accelerated depreciation for tax purposes	505,908	128,562
Tax effect of intangible assets and other timing differences	127,282	(8,444)
Inventory	(165)	-
Fair value of derivative instrument	14,502	-
	<u>647,527</u>	<u>120,118</u>
<i>Deferred tax asset</i>		
Losses available for offset against future taxable income	20,574	2,371
Other timing differences	6,342	11,875
	<u>26,916</u>	<u>14,246</u>
Deferred income tax		<u><u>134,364</u></u>
	<i>2012 AED'000</i>	<i>2011 AED'000</i>
Disclosed as follows:		
Non-current liabilities	971,170	633,190
Current liabilities	-	14,337
	<u>971,170</u>	<u>647,527</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 11 PROFIT FOR THE YEAR

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Profit for the year is stated after charging the following:		
Staff costs	<u>17,397,669</u>	<u>15,617,530</u>
Rental-operating leases (including aircraft operating lease payments of AED 5,553,107 thousand (2011: AED 4,642,987 thousand))	<u>6,046,427</u>	<u>5,011,457</u>
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 14,16 and 17)	<u>8,129,354</u>	<u>7,867,983</u>
Amortisation and impairment of intangible assets (see note 15)	<u>529,206</u>	<u>355,931</u>

Staff costs include pension costs amounting to AED 90,694 thousand (2011: AED 81,257 thousand), other post employment benefits amounting to AED 610,716 thousand (2011: AED 556,622 thousand) and employee profit share scheme expense amounting to AED 48,887 thousand (2011: AED 41,984 thousand).

### 12 TRANSFER OF ENTITIES UNDER COMMON CONTROL AND DISCONTINUED OPERATIONS

- a) During the current year, 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.
- b) On 16 June 2011, H.H. The Ruler of Dubai issued Law No. 11 of 2011 amending Law No. 14 of 2007 establishing Dubai Real Estate Corporation. From the date of issuance of this Law, Dubai Real Estate Corporation came under the direct control of H.H. The Ruler of Dubai and accordingly ceased to be controlled by ICD. This was treated as a return of capital to the Government during 2011 based on carrying value of such investment at the date of cessation of ICD's control over Dubai Real Estate Corporation amounting to AED 160,252,909 thousand.

The carrying value of the assets and liabilities of Dubai Real Estate Corporation included in the consolidated financial statements of the Group at the time of transfer out were as follows:

	<i>AED'000</i>
<i>Assets:</i>	
Property, plant and equipment (see note 14)	18,601,486
Investment properties (see note 16)	141,066,192
Other non-current assets	204,421
Inventories	29,509
Trade and other receivables	515,158
Cash and deposits with banks	1,968,010
	<u>162,384,776</u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 12 TRANSFER OF ENTITIES UNDER COMMON CONTROL AND DISCONTINUED OPERATIONS (continued)

	<i>AED'000</i>
<b>Liabilities:</b>	
Employees' end of service benefits (see note 30)	61,789
Borrowings and lease liabilities	688,198
Trade and other payables	1,381,880
	<u>2,131,867</u>
<b>Net assets</b>	<u><u>160,252,909</u></u>

The results of Dubai Real Estate Corporation as included in the consolidated financial statements of the Group for the period from 1 January 2011 until the date of transfer are as follows:

	<i>2011 AED'000</i>
Revenues	1,562,860
Cost of revenues	(517,761)
	<u>1,045,099</u>
Other income	22,450
General, administrative and other expenses	(363,053)
Net impairment losses on financial assets (see note 22)	(35,760)
Other finance income	26,000
Other finance costs	(14,862)
<b>PROFIT FOR THE PERIOD</b>	<u><u>679,874</u></u>
Net cash generated from operating activities	<u>1,128,830</u>
Net cash generated from investing activities	<u>172,216</u>
Net cash used in financing activities	<u><u>(663,162)</u></u>

#### 13 BUSINESS COMBINATIONS

##### a) Acquisition of Dubai Aerospace Enterprise (DAE) Limited

During the current year, 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 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 now controls DAE, thus converting it from an associate to a subsidiary. 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 5 and 18).

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 13 BUSINESS COMBINATIONS (continued)

##### a) Acquisition of Dubai Aerospace Enterprise (DAE) Limited (continued)

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

	<i>Fair values</i> <i>AED' 000</i>
Property, plant and equipment (see note 14)	9,982,079
Intangible assets (see note 15)	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 30)	(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)
	<b>(1,294,171)</b>
Non-controlling interests	(853,420)
<b>Group's share of net assets</b>	<b>(2,147,591)</b>
<b>Consideration</b>	
Acquisition date fair value of consideration	220,500
Acquisition date fair value of previously held investment	1,282,930
<b>Total consideration</b>	<b>1,503,430</b>
Goodwill (see note 15)	<b>3,651,021</b>

The acquired business contributed revenue of AED 3,660,785 thousand and a profit of AED 20,963 thousand from the date of acquisition to 31 December 2012. If the acquisition had taken place at the beginning of the year, the revenue and profit contributed would have been AED 7,141,944 thousand and AED 26,989 thousand respectively.

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 14) 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.

	<b>AED' 000</b>
<b>Cash flow on acquisition</b>	
Cash and deposits with banks	1,233,102
Less: Cash paid in prior years	(486,408)
	<b>746,694</b>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 13 BUSINESS COMBINATIONS (continued)

##### b) Acquisition of D-Clear Europe Limited

During the current year, the Group acquired a 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 has accounted for this business combination using the acquisition method. The Group has recorded the fair value of assets and liabilities of D-Clear Europe Limited at the date of acquisition and are summarised as below:

	<i>Fair values</i> <i>AED’ 000</i>
Property, plant and equipment (see note 14)	5,527
Intangible assets (see note 15)	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 30)	(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)
<b>Net liabilities acquired</b>	<b>(701,379)</b>
Consideration paid	AED 4
<b>Goodwill (see note 15)</b>	<b>701,379</b>
<b>Cash inflow on acquisition</b>	<b>115,152</b>

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 same related party 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. This balance is reduced to Nil upon consolidation.

The acquired business contributed revenue of AED 159,448 thousand and a profit of AED 2,893 thousand from the date of acquisition to 31 December 2012. If the acquisition had taken place at the beginning of the year, the revenue and loss contributed would have been AED 323,161 thousand and AED 46,878 thousand respectively.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 13 BUSINESS COMBINATIONS (continued)

##### c) Acquisition of Enroute International Limited

During the current year, the Group acquired a 80% beneficial interest in Enroute International Limited (“Enroute”), through one of the indirect subsidiaries of the Group. 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:

	<i>Fair values</i> <i>AED '000</i>
Property, plant and equipment (see note 14)	2,835
Intangible assets (see note 15)	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)
<b>Fair value of the net assets acquired</b>	<b>14,593</b>
Less: Non-controlling interests	(2,918)
<b>Group's share of net assets acquired</b>	<b>11,675</b>
<b>Goodwill (see note 15)</b>	<b>10,445</b>
Consideration	22,120
Less: Cash and deposits with banks	(691)
<b>Cash outflow on acquisition</b>	<b>21,429</b>

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

The indirect subsidiary that owns Enroute has 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.

The acquired business contributed revenue of AED 52 million and a profit of AED 2 million from the date of acquisition to 31 December 2012. If the acquisition had taken place at the beginning of the period, the revenue and loss contributed would have been AED 79 million and AED 2 million respectively.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 13 BUSINESS COMBINATIONS (continued)

#### (d) Acquisition of Dubai Bank P.J.S.C.

In accordance with a decree issued by the Ruler of Dubai on 11 October 2011, one of the Group's subsidiaries acquired a 100% stake in Dubai Bank PJSC ("Dubai Bank"), a provider of Shariah compliant banking services in the UAE.

The fair value of the assets and liabilities acquired is given below.

	<i>Fair values</i> <i>AED in millions</i>
Cash and deposits with banks	2,715
Islamic financing and investment products	8,225
Investments in marketable securities	368
Investments in associates and joint ventures	19
Property, plant and equipment	143
Other non-current assets	524
Customer deposits	(12,505)
Borrowings and lease liabilities	(184)
Trade and other payables	(616)
<b>Fair value of the net assets</b>	<b>(1,311)</b>
Fair value of the deposit from Ministry of Finance of the UAE ("MOF") (refer note (i) below)	543
Fair value of the guarantee from the Government (refer note (ii) below)	768
<b>Fair value of the consideration</b>	<b>AED 10</b>

#### (i) Fair value of the deposit from Ministry of Finance of the UAE

In connection with the transaction, the Group received a deposit from the Ministry of Finance of the UAE amounting to AED 2.8 billion at a discount compared to the market available interest rate. As per the Group policy, the financial liability should be recognised initially at its fair value plus the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Since the above deposit was received at an interest rate below the market available interest rate it was recorded at its fair value being AED 543 million lower than the amount of deposit received by the Group. This difference will be amortised over the term of the deposit (8 years) at the effective interest rate.

#### (ii) Fair value of the guarantee from the Government

In connection with the transaction, the Government provided the Group with 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. An amount of AED 768 million represents the fair value of such guarantee as at the date of the acquisition. Subsequent to this acquisition, this amount is adjusted in current year. For movement in carrying value of guarantee, refer note 20 to these consolidated financial statements.

The fair value of the assets and liabilities was determined by an external expert through an estimate of the future cash flows of these assets and liabilities using market based discount rates. Acquisition-related costs amounting to AED 1.2 million was included in general and administrative expense in the consolidated income statement.



## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 13 BUSINESS COMBINATIONS (continued)

##### *e) Acquisition of Travel Republic Group*

During 2011, one of the Group's subsidiaries acquired a 100% beneficial interest in Travel Republic Group. Travel Republic Group is an online travel services company operating in the United Kingdom, Ireland and Spain.

The fair values of the identifiable assets and liabilities of Travel Republic Group as at the date of acquisition were as follows:

	<i>Fair values AED in millions</i>
Property, plant and equipment	3
Intangible assets	79
Cash and deposits with banks	147
Trade and other receivables	9
Borrowings and lease liabilities	(63)
Deferred tax liability	(20)
Trade and other payables	(148)
<b>Net assets acquired</b>	<b>7</b>
<b>Group's share of net assets</b>	<b>7</b>
Goodwill (see note 15)	528
Consideration	535
Less: Cash and deposits with banks acquired	(147)
Less: Deferred considerations	(110)
Less: Contingent consideration	(78)
<b>Cash outflow on acquisition</b>	<b>200</b>

Costs of acquisition amounting to AED 9 million was included under general, administrative and other expenses.

Contingent consideration is payable after five years from the acquisition date and is based on growth in EBIDTA and free cash less outstanding debts. The amount was estimated based on management's long term plan for the business.

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing travel services business. The acquisition of Travel Republic Group will allow the Group to capitalise on the increasing popularity of online travel booking. The Group will combine the online travel services strength of Travel Republic Group with its global travel network to offer a broader range of destinations whilst maintaining the same high-quality customer experience.

##### *f) Tanfeeth*

On 7 July 2011, Tanfeeth L.L.C. was incorporated as a fully owned subsidiary of the Group. The primary objective of the entity is to provide a platform to various back office operations of the banking subsidiary of the Group with an objective to enhance the service delivery capability and achieve efficiencies.

The Group has incorporated a number of other insignificant subsidiaries, associates and joint ventures during the current and prior year. Further, the Group's shareholding has changed in a number of insignificant subsidiaries, associates and joint ventures during the current and prior year.

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

14 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
<b>Cost:</b>								
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 16)	-	156	-	-	-	-	4,914	5,070
Transfers from development properties (see note 17)	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 subsidiaries (see note 26(b))	(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 13)	199,975	17,939	357,872	-	9,318,771	71,114	24,770	9,990,441
Reclassification arising on business combinations (see note 13(a))	-	-	-	-	-	-	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	<b>26,146,505</b>	<b>4,374,126</b>	<b>36,679,139</b>	<b>10,008,951</b>	<b>50,411,314</b>	<b>4,310,079</b>	<b>9,800,358</b>	<b>141,730,472</b>
<b>Accumulated depreciation and impairment:</b>								
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 11)	1,145,328	458,739	3,034,067	777,376	2,312,667	256,700	-	7,984,877
Transfers from investment properties (see note 16)	-	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 subsidiaries (see note 26(b))	(157,718)	(20,162)	(179,148)	-	-	-	-	(357,028)
Translation differences	7,285	2,348	39,652	-	-	2	(20)	49,267
At 31 December 2012	<b>7,523,864</b>	<b>3,151,801</b>	<b>19,113,439</b>	<b>4,666,250</b>	<b>7,108,349</b>	<b>1,195,306</b>	<b>967</b>	<b>42,759,976</b>
<b>Net book value:</b>								
At 31 December 2012	<b>18,622,641</b>	<b>1,222,325</b>	<b>17,565,700</b>	<b>5,342,701</b>	<b>43,302,965</b>	<b>3,114,773</b>	<b>9,799,391</b>	<b>98,970,496</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Cost:	Land, buildings and leasehold improvements AED '000	Furniture, fixtures and office equipment AED '000	Plant, machinery 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
Balance at 1 January 2011	39,389,598	4,159,592	34,016,812	7,199,836	24,883,670	3,175,062	8,023,368	120,847,938
Transfers	2,164,412	129,027	1,147,140	-	5,402,499	173,075	(9,016,153)	-
Transfers from investment properties (see note 16)	100,000	-	-	-	-	-	-	100,000
Transfers from development properties (see note 17)	348,767	-	-	-	-	-	-	348,767
Transfers from inventories	-	-	-	117,857	-	-	-	117,857
Write off during the year	(1,032)	(13,465)	-	-	-	-	-	(14,497)
Additions during the year	178,156	287,424	1,737,152	1,289,473	479,095	253,456	11,011,458	15,236,214
Arising on transfer of a subsidiary to the Government (see note 12)	(18,639,352)	(466,263)	(345,879)	-	-	-	(122,491)	(19,573,985)
Acquired on business combinations (see note 13)	4,476	2,644	42,068	-	-	-	96,133	145,321
Disposals during the year	(93,590)	(134,697)	(2,082,450)	-	(851,731)	(21,852)	(4,557)	(3,188,877)
Translation differences	(23,191)	8,885	(53,278)	-	-	-	(4,226)	(71,810)
At 31 December 2011	23,428,244	3,973,147	34,461,565	8,607,166	29,913,533	3,579,741	9,983,532	113,946,928
Accumulated depreciation and impairment:								
Balance at 1 January 2011	5,948,987	2,895,758	16,873,365	3,134,286	3,850,359	870,759	2,820	33,576,334
Transfers	755	-	-	-	-	-	(755)	-
Impairment and depreciation charge for the year (see note 11)	1,242,885	466,240	2,598,496	754,588	1,606,884	191,843	-	6,860,936
Write off during the year	(104)	(7,284)	-	-	-	-	-	(7,388)
Arising on transfer of a subsidiary to the Government (see note 12)	(520,578)	(271,118)	(179,725)	-	-	-	(1,078)	(972,499)
Relating to disposals during the year	(47,501)	(122,666)	(2,022,792)	-	(631,781)	(12,574)	-	(2,837,314)
Translation differences	(5,018)	(8)	(14,724)	-	-	-	-	(19,750)
At 31 December 2011	6,619,426	2,960,922	17,254,620	3,888,874	4,825,462	1,050,028	987	36,600,319
Net book value:								
At 31 December 2011	16,808,818	1,012,225	17,206,945	4,718,292	25,088,071	2,529,713	9,982,545	77,346,609

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

**14 PROPERTY, PLANT AND EQUIPMENT (continued)**

- (a) Land, buildings and leasehold improvements include:
- (i) A plot of land provided by the Government as a grant to one of the subsidiaries of the Group and recorded at nominal value. The land has been provided to construct a new building.
  - (ii) Certain buildings and civil works of net book value AED 2,910,339 thousand (2011: AED 3,008,189 thousand) constructed on land granted by H.H. the Ruler of Dubai or the Government. The Group accounted for this non-monetary government grant received by one of its subsidiaries during the previous period at nominal value.
  - (iii) Retail fuel stations are constructed on land leased from third parties. Leases are generally for a period of 20 years.
  - (iv) 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) Property, plant and equipment provided as security against the Group's borrowings and lease liabilities amounted to AED 3,462,982 thousand (2011: AED 3,734,130 thousand). The net book value of property, plant and equipment includes AED 30,485,191 thousand (2011: AED 23,756,710 thousand) in respect of aircraft and aircraft engines held under finance leases.
- Refer to note 31 for further information on security.
- (c) Borrowing costs amounting to AED 243 million (2011: AED 181 million) have been capitalised during the year.
- (d) Capital work-in-progress includes:
- (i) pre-delivery payments of AED 6,598,565 thousand (2011: AED 6,037,433 thousand) in respect of aircraft due for delivery in the period to 2024 (2011: due for delivery in the period to 2019).
  - (ii) construction relating to refinery debottlenecking, pipeline, gas processing plant, berth facilities and construction of retail sites.
- (e) 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.
- (f) Aircraft having a value of AED 5,364 million as at 31 December 2012 are 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.

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

15 INTANGIBLE ASSETS

	<i>Licences and exclusive rights</i> AED'000	<i>Goodwill</i> AED'000	<i>Customer relationships and trade names</i> AED'000	<i>Computer software</i> AED'000	<i>Service rights</i> AED'000	<i>Contractual rights</i> AED'000	<i>Capital work-in- progress</i> AED'000	<i>Total</i> AED'000
<b>Cost:</b>								
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	1,559,744	70	-	53,214	20,088	-	124,208	1,757,324
Disposals during the year	-	(165)	-	(1,522)	-	-	(21,802)	(23,489)
Acquired on business combination (see note 13)	206,373	4,362,845	217,992	938	-	220,331	-	5,008,475
On disposal of indirect subsidiaries (see note 26(b))	-	(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
<b>At 31 December 2012</b>	<b>4,626,925</b>	<b>14,505,583</b>	<b>535,309</b>	<b>1,014,824</b>	<b>797,947</b>	<b>928,624</b>	<b>126,937</b>	<b>22,536,149</b>
<b>Accumulated amortisation and impairment:</b>								
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 11)	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 indirect subsidiaries (see note 26(b))	-	-	-	(7,500)	-	(9,883)	-	(17,383)
Translation differences	573	7,688	199	1,028	-	10,962	-	20,450
<b>At 31 December 2012</b>	<b>521,185</b>	<b>62,212</b>	<b>290,791</b>	<b>712,366</b>	<b>424,846</b>	<b>307,365</b>	<b>-</b>	<b>2,318,765</b>
<b>Net book value:</b>								
<b>At 31 December 2012</b>	<b>4,105,740</b>	<b>14,443,371</b>	<b>244,518</b>	<b>302,458</b>	<b>373,101</b>	<b>621,259</b>	<b>126,937</b>	<b>20,217,384</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

15 INTANGIBLE ASSETS (continued)

	Licences 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 2011	2,855,925	9,593,264	314,973	765,016	747,861	701,503	69,416	15,047,958
Additions during the year	-	-	-	15,354	29,999	4	102,418	147,775
Transfers	-	-	-	39,414	-	-	(39,414)	-
Disposals during the year	-	-	-	(2,959)	-	-	-	(2,959)
Acquired on business combination (see note 13)	-	527,961	-	42,448	-	36,351	-	606,760
Translation differences	(16)	(4,006)	1	(378)	(1)	(1,664)	-	(6,064)
At 31 December 2011	2,855,909	10,117,219	314,974	858,895	777,859	736,194	132,420	15,793,470
Accumulated amortisation and impairment:								
Balance at 1 January 2011	244,299	54,491	189,405	503,224	278,787	165,822	-	1,436,028
Impairment and amortisation charge for the year (see note 11)	59,510	-	53,389	97,964	73,014	72,054	-	355,931
Relating to disposals during the year	-	-	-	(1,196)	-	-	-	(1,196)
Translation differences	(2)	-	1	(155)	-	(3,823)	-	(3,979)
At 31 December 2011	303,807	54,491	242,795	599,837	351,801	234,053	-	1,786,784
Net book value:								
At 31 December 2011	2,552,102	10,062,728	72,179	259,058	426,058	502,141	132,420	14,006,686

**15 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 cash generating units (CGUs) to which goodwill has been allocated with their carrying values.

The goodwill has been allocated to three individual cash-generating units, which are as follows:

- Corporate banking
- Consumer banking
- Treasury

The recoverable amount of the cash-generating units 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 in the cash-generating units 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 increased 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 2012, the goodwill allocated to Corporate Banking was AED 3,364 million (2011: AED 3,364 million), the goodwill allocated to Consumer Banking was AED 1,700 million (2011: AED 1,700 million) and the goodwill allocated to Treasury was AED 206 million (2011: AED 206 million).

*Corporate Banking*

The recoverable amount of Corporate Banking goodwill, 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% applied thereafter. The forecast cash flows have been discounted at a rate of 13.09%. A one percentage increase in the discount rate or one percentage decrease in the terminal growth rate would reduce the recoverable amount by AED 1,986 million and AED 1,285 million respectively.

*Consumer Banking*

The recoverable amount of Consumer Banking goodwill, 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% applied thereafter. The forecast cash flows have been discounted at a rate of 13.09%. A one percentage increase in the discount rate or one percentage decrease in the terminal growth rate would reduce the recoverable amount by AED 1,797 million and AED 1,162 million respectively.

**15 INTANGIBLE ASSETS (continued)**

**Impairment testing of goodwill and other intangibles (continued)**

**(a) Emirates NBD PJSC (continued)**

*Treasury*

The recoverable amount of Treasury goodwill, is 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% applied thereafter. The forecast cash flows have been discounted at a rate of 13.09%. A one percentage increase in the discount rate or one percentage decrease in the terminal growth rate would reduce the recoverable amount by AED 476 million and AED 308 million respectively.

**(b) Emirates**

For the purpose of impairment testing of goodwill relating to Emirates, goodwill amounting to AED 159 million (2011: AED 159 million) has been allocated to a subsidiary's consumer goods cash generating unit, AED 25 million (2011: AED 25 million) has been allocated to the food and beverages cash generating unit in the UAE, AED 4 million (2011: AED 4 million) has been allocated to the food and beverages cash generating unit in Australia and AED 369 million (2011: AED 369 million) has been allocated to a subsidiary's in-flight catering services cash generating unit. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins. Gross margins used for cash flow projections are 25%, 21%, 20% and 35% for the consumer goods, food and beverages in the UAE, food and beverages in Australia and in-flight catering services cash generating units in the UAE respectively. Cash flow projections are based on forecasts approved by management covering a five 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 and in-flight catering services in the UAE and 10% per annum for food and beverages cash generating units in the UAE, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum for consumer goods and in-flight catering services in the UAE and 3% per annum for food and beverages cash generating units in UAE and Australia. The growth rate does not exceed the long term average growth rate for markets in which the cash generating units operate.

**(c) Dnata**

For the purpose of impairment testing of goodwill relating to Dnata, goodwill amounting to AED 102 million (2011: AED 97 million) has been allocated to the airport services' cash generating units in Singapore, AED 273 million (2011: AED 264 million) has been allocated to the airport services' cash generating units in Switzerland, AED 427 million (2011: AED 460 million) has been allocated to the in-flight catering services' cash generating units, AED 549 million (2011: AED 528 million) has been allocated to travel agency's cash generating units in United Kingdom and AED 3 million (2011: AED 3 million) has been allocated to travel agency's cash generating units in the UAE. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins. Gross margins used for cash flow projections are 22%, 19%, 13% and 8% for the Singapore airport services, Switzerland airport services, in-flight catering services and travel agency cash generating units in the United Kingdom respectively. Cash flow projections for these cash generating units are based on forecasts approved by management covering a five year period and discount rates of 7%, 6%, 8% and 9% per annum respectively. Cash flows beyond the five year period have been extrapolated using growth rates of 1.5% to 3% for different cash generating units. These growth rates do not exceed the long term average growth rate for the markets in which these cash generating units operate.



**15 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 (2011: AED 2,883 million). Management has allocated the entire goodwill to the Dubai Financial Market (“DFM”), a subsidiary of the Group. There was no indication of impairment on the goodwill at 31 December 2012 and 31 December 2011 on the basis that the fair value of the business, based on DFM’s quoted market price at 31 December 2012 was in excess of its net assets at that date.

*e) Dubai Aerospace Enterprise Limited*

Goodwill relating to Dubai Aerospace Enterprise Limited has a carrying value of AED 3,651 million. As at 31 December 2012, 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 in these plans is 18%, which is based upon historical results. The pre-tax discount rate applied to these cash flow projections is 10%, 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% 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 2012.

*f) D-Clear Europe Limited*

Goodwill relating to D-Clear Europe Limited has a carrying value of AED 724,924 thousand. Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group considers that goodwill relates to one of the indirect subsidiaries and hence it is considered as one CGU. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Management has performed value in use calculations using cash flow projections for the indirect subsidiary of the Group from a forecast for the year to December 2013. Beyond that date cash flow projections are extrapolated to reflect an improvement in trading performance for a further two years to December 2015. The pre-tax rate discount rate applied to the cash flow projections is 10.9% and cash flows beyond December 2015 are extrapolated using a 1.5% growth rate. Based on the results of this analysis, management concluded that no impairment write down is required in the year ended 31 December 2012.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 16 INVESTMENT PROPERTIES

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b>Cost:</b>		
Balance at the beginning of the year	<b>9,125,767</b>	151,298,673
Additions during the year	<b>299,221</b>	593,893
Transferred to the Government – net (see note 27)	-	(74,124)
Transfers to property, plant and equipment (see note 14)	<b>(5,070)</b>	(100,000)
Arising on transfer of a subsidiary to the Government (see note 12)	-	(141,943,753)
Transfers from development property (see note 17)	<b>7,800</b>	194,796
Transfers to inventory	<b>(111,328)</b>	(158,555)
Disposals during the year (see note 16.3)	-	(685,163)
	<hr/> <b>9,316,390</b> <hr/>	<hr/> 9,125,767 <hr/>
At 31 December		
<b>Accumulated depreciation and impairment:</b>		
Balance at the beginning of the year	<b>1,866,823</b>	1,779,336
Depreciation and impairment charge for the year (see note 11)	<b>117,051</b>	966,742
Reversal of impairment loss recognised previously against the value of the investment	<b>(35,273)</b>	-
Arising on transfer of a subsidiary to the Government (see note 12)	-	(877,561)
Transfers to inventory	<b>(4,503)</b>	(1,694)
Transfers to property, plant and equipment (see note 14)	<b>(14)</b>	-
	<hr/> <b>1,944,084</b> <hr/>	<hr/> 1,866,823 <hr/>
At 31 December		
<b>Net book value:</b>		
At 31 December	<hr/> <b>7,372,306</b> <hr/>	<hr/> 7,258,944 <hr/>

16.1 During the current year, the fair values of investment properties have been determined internally by management using the discounted cash flow methodology based on suitable assumptions.

16.2 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.

The sale consideration is receivable on demand and could be settled in cash or in kind or a combination of cash and in kind, at the discretion of the related party purchaser. In case the full settlement of the sale consideration or part 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 related party purchaser and the subsidiary of the Group) to the amount due and payable under the agreement. In accordance with the Agreement, the transfer of title to the 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 2012, 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 30 December 2010 until the transfer of title is complete.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 16 INVESTMENT PROPERTIES (continued)

16.3 During 2011, one of the subsidiaries of the Group (the "Seller") entered into a sale and purchase agreement ("Agreement") with a related party 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 (2011: AED 1,142,876 thousand). The additional receivable is relating to Islamic financing and investing activities during the year.

The salient terms and conditions of the Agreement are 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 related party 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 related party 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.

The amount receivable in respect of the above two sale agreements (see notes 16.2 and 16.3) 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 is wholly owned by the Government.

#### 17 DEVELOPMENT PROPERTIES

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b>Cost:</b>		
Balance at the beginning of the year	355,514	2,055,966
Additions during the year	77,650	55,883
Transfers to property, plant and equipment (see note 14)	(10,649)	(348,767)
Transfers to cost of sales	(11,967)	-
Transfers to inventory	-	(63,833)
Disposals during the year	-	(1,142,876)
Transfers to investment properties (see note 16)	(7,800)	(194,796)
Capital advances during the year	5,087	(6,063)
At 31 December	<u>407,835</u>	<u>355,514</u>
<b>Accumulated impairment:</b>		
Balance at the beginning of the year	59,605	19,300
Impairment during the year (see note 11)	27,426	40,305
At 31 December	<u>87,031</u>	<u>59,605</u>
<b>Net book value:</b>		
At 31 December	<u><u>320,804</u></u>	<u><u>295,909</u></u>

#### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>(Restated)</i>	<i>2010</i> <i>AED'000</i> <i>(Restated)</i>
Investments in associates	27,018,596	26,795,261	25,907,737
Investments in joint ventures	4,599,623	3,251,523	1,710,845
	<u><u>31,618,219</u></u>	<u><u>30,046,784</u></u>	<u><u>27,618,582</u></u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>(Restated)</i>
Balance at the beginning of the year (as previously reported)	<b>30,046,784</b>	27,721,129
Change in accounting policy (see note 2.3)	-	(102,547)
Balance at the beginning of the year (Restated)	<b>30,046,784</b>	27,618,582
Investments made during the year	<b>1,182,513</b>	1,769,499
Arising on account of business combination (see note 13)	-	18,781
Share in results of associates and joint ventures (net)	<b>2,711,509</b>	2,500,815
Loss in excess of cost of investment recognised as a liability	-	(584,806)
Dividends received	<b>(877,878)</b>	(800,113)
Gain on deemed disposal of previously owned associate (see notes 5 and 13(a))	<b>224,260</b>	-
Conversion of previously owned associate to subsidiary (see note (a))	<b>(1,282,930)</b>	-
Impairment on investments in associates and joint ventures – net (see note 7)	<b>(407,725)</b>	(756,954)
Transfer from available for sale investments during the year and further investments in such associates during the year (see note (a))	-	757,162
Liquidation of investments	<b>(29,194)</b>	(7,790)
Amounts recognised directly in equity		
- Translation difference	<b>94,997</b>	(220,069)
- Cumulative changes in fair value	<b>59,942</b>	(138,339)
- Directors' fees	<b>(3,210)</b>	(2,995)
- Others	<b>(100,849)</b>	(106,989)
At 31 December	<b><u>31,618,219</u></b>	<b><u>30,046,784</u></b>

- a) During 2011, ICD agreed with other shareholders (related parties) of an investee company that the consideration in respect of the support provided by ICD amounted to AED 291 million. All the shareholders, with the exception of one shareholder which was an ICD subsidiary, agreed to transfer a certain proportion of their investment in the investee company to ICD as a consideration for the above support, and accordingly ICD recorded an amount of AED 233 million as other income during 2011. For the shareholder that was an ICD subsidiary, it was agreed between ICD and the shareholder that the amount of AED 58 million would be waived off and the consideration be distributed in the form of a dividend. The dividend was recorded at its fair value of AED 111 million.

As a result of above arrangement, whereby the related parties of ICD transferred / distributed their share in the investee company to ICD, ICD's direct stake in the investee company increased to more than 20%. Management believed that as a result of this arrangement, ICD obtained the power to exercise significant influence over such investee and therefore started accounting for such investment as an investments in associate. This was accounted for as a deemed disposal of an available-for-sale investment as required by International Financial Reporting Standards and an amount of AED 98 million was recorded as a gain on sale of available-for-sale investment in the consolidated income statement of the Group during 2011.

During the current year, 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 as referred to above) and hence the Group's stake in the associate increased to more than 50%. Management believes that as a result of this arrangement, ICD obtained control over such investee Company and therefore started accounting for such investment as an investment in subsidiary (see note 13(a)).

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

(b) The Group's share of joint ventures' assets and liabilities as at 31 December and revenue and profit for the years then ended is as follows:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Current assets	<u>4,025,889</u>	<u>3,965,501</u>
Non-current assets	<u>14,706,706</u>	<u>12,319,887</u>
Current liabilities	<u>2,683,553</u>	<u>7,462,827</u>
Non-current liabilities	<u>12,874,676</u>	<u>6,990,912</u>
Revenue	<u>11,958,570</u>	<u>11,767,762</u>
Profit for the year	<u>508,356</u>	<u>1,005,141</u>

(c) Summarised financial information relating to associates is as follows (100% basis):

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Total assets *	<u>292,908,530</u>	<u>317,422,583</u>
Total liabilities *	<u>204,695,164</u>	<u>232,097,413</u>
Revenue	<u>37,317,485</u>	<u>45,789,095</u>
Profit	<u>9,557,734</u>	<u>5,760,080</u>

\* The assets and liabilities of one of the indirect associate of the Group do not include central counterparty balances amounting to AED 762,433 million as at 31 December 2012 (2011: AED 738,050 million).

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b>Associates</b>		
Emaar Properties PJSC	<u>7,132,209</u>	<u>4,880,941</u>
Dubai Islamic Bank PJSC	<u>2,275,257</u>	<u>2,196,020</u>
Commercial Bank of Dubai PSC	<u>1,223,011</u>	<u>1,125,947</u>
Emirates Refreshment Company	<u>36,300</u>	<u>36,300</u>
Dubai Development Company PSC	<u>5,600</u>	<u>5,600</u>
Union Properties PJSC	<u>625,023</u>	<u>416,518</u>
Nasdaq OMX group Inc. (see note 41.4)	<u>2,734,200</u>	<u>2,682,750</u>
London Stock Exchange Plc.	<u>3,634,575</u>	<u>2,543,100</u>

The carrying value of the above associates is AED 24,553,744 thousand (2011: AED 23,169,468 thousand).

Investment Corporation of Dubai and its subsidiaries

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At 31 December 2012

**18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**

(d) (continued)

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. Impairment losses recorded in the consolidated income statement mainly includes impairment in the carrying value of GAC BVI amounting to AED 407,725 thousand (2011: AED 676,000 thousand in respect of the carrying value of Union Properties PJSC).

**19 INVESTMENTS IN MARKETABLE SECURITIES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<i>Available-for-sale investments</i>		
Equities – quoted	<b>3,104,615</b>	3,032,821
Equities – unquoted	<b>2,467,795</b>	2,185,163
Government bonds	<b>3,017,800</b>	3,528,330
Corporate bonds	<b>7,025,039</b>	7,918,632
Others (including mutual funds)	<b>1,849,254</b>	1,951,091
	<b>17,464,503</b>	18,616,037
<i>Held-to-maturity</i>		
Corporate bonds	<b>771,861</b>	809,575
Government bonds	<b>455,161</b>	338,891
	<b>1,227,022</b>	1,148,466
<i>Fair value through profit or loss</i>		
Equities	<b>332,350</b>	256,687
Hybrid instruments	<b>19,983</b>	11,436
Government bonds	<b>537,200</b>	49,991
Corporate bonds	<b>334,416</b>	97,576
Others (including mutual funds)	<b>807,949</b>	839,080
	<b>2,031,898</b>	1,254,770
<b>Total investments in marketable securities</b>	<b>20,723,423</b>	21,019,273
Disclosed as follows:		
Non-current assets	<b>16,109,037</b>	17,159,915
Current assets	<b>4,614,386</b>	3,859,358
	<b>20,723,423</b>	21,019,273

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At 31 December 2012

**19 INVESTMENTS IN MARKETABLE SECURITIES (continued)**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Change in fair value of available-for-sale investments recognised in equity	<u>692,682</u>	<u>276,045</u>
Change in investments classified as fair value through profit or loss (see note 5)	<u>21,608</u>	<u>13,441</u>

The available-for-sale investments includes securities with a carrying value of AED 514,552 thousand (2011: AED 2,404,975 thousand) that have been pledged under a repurchase agreement (see note 37).

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

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

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

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

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

	<i>31 December</i> <i>2012</i> <i>AED'000</i>	<i>Financial instruments carried at fair value</i>		
		<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
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 32)	(918,546)	(1,259)	(915,859)	(1,428)
	<u>18,577,855</u>	<u>13,407,398</u>	<u>1,873,439</u>	<u>3,297,018</u>

	<i>31 December</i> <i>2011</i> <i>AED'000</i>	<i>Financial instruments carried at fair value</i>		
		<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Available for sale investments	18,616,037	13,493,686	2,050,567	3,071,784
Fair value through profit or loss	1,254,770	612,072	393,869	248,829
Derivative financial instruments - net (see note 32)	(94,945)	11,603	(106,228)	(320)
	<u>19,775,862</u>	<u>14,117,361</u>	<u>2,338,208</u>	<u>3,320,293</u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 19 INVESTMENTS IN MARKETABLE SECURITIES (continued)

During the financial year ended 31 December 2012, available for sale financial assets with a carrying amount of AED 821 million (2011: AED Nil) 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. There have been transfers from Level 2 to Level 1 amounting to AED 175 million (2011: AED Nil) because either the market has been active or quoted prices in the market were available.

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Opening balance	<b>3,320,293</b>	4,127,174
Additional investments made during the year	<b>509,665</b>	423,411
Disposals during the year	<b>(582,482)</b>	(880,730)
Deemed disposals during the year (see note 18(a))	-	(314,868)
Fair value movement during the year taken to consolidated income statement	<b>46,718</b>	105,834
Fair value movement during the year taken to equity	<b>(10,918)</b>	(7,747)
Transfers in / (out) of Level 3	<b>13,742</b>	(132,781)
Closing balance	<b><u>3,297,018</u></b>	<b><u>3,320,293</u></b>

#### Reclassification out of trading securities

As allowed by IAS 39 (amended), certain reclassifications were made from trading securities to available for sale investment securities with effect from 1 July 2008 at fair value at that date. In addition, some trading securities purchased after 1 July 2008 were also subsequently identified for reclassification. The table below sets out the trading securities reclassified and their carrying and fair values.

	<i>31 December 2012</i>		<i>31 December 2011</i>		<i>1 July 2008</i>	
	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>
Trading securities reclassified to available for sale investment securities	<b><u>164,012</u></b>	<b><u>164,012</u></b>	<u>393,384</u>	<u>393,384</u>	<u>993,491</u>	<u>993,491</u>



Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

**19 INVESTMENTS IN MARKETABLE SECURITIES (continued)**

**Reclassification out of trading securities (continued)**

The table below sets out the amounts recognised in the consolidated income statement and equity in respect of financial assets reclassified out of trading securities into available-for-sale investment securities:

	<i>Consolidated income statement AED'000</i>	<i>Consolidated Equity AED'000</i>
<b>Period before reclassification (30 June 2008)</b>		
Net trading loss	(16,661)	-
	<u>(16,661)</u>	<u>-</u>
<b>Period after reclassification (1 July 2008 – 31 December 2012)</b>		
Interest income	103,454	-
Net changes in fair value	-	6,807
	<u>103,454</u>	<u>6,807</u>

The table below sets out the amounts that would have been recognised during 2012, had the reclassifications not been made:

	<b>2012 AED'000</b>
Net trading profit	<b>15,303</b>

**20 OTHER NON-CURRENT ASSETS**

	<b>2012 AED'000</b>	<b>2011 AED'000</b>
Loans receivable	<b>10,007</b>	92,811
Loans to / receivables from related parties (see notes 39 and 20.1)	<b>16,952,065</b>	12,379,828
Fair value of guarantee from a related party (see notes 13(d) and 39)	<b>1,639,335</b>	768,114
Advance lease rentals (see note 20.2)	<b>791,613</b>	428,143
Long term retentions	<b>281,234</b>	21,348
Other receivables	<b>1,824,989</b>	1,746,030
	<u><b>21,499,243</b></u>	<u>15,436,274</u>
Less: provision for impairment (see note 20.3)	<b>(520,013)</b>	(918,750)
	<u><b>20,979,230</b></u>	<u>14,517,524</u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 20 OTHER NON-CURRENT ASSETS (continued)

20.1 One of the subsidiaries of the Group is required to provide retail gasoline at a fixed price in United Arab Emirates. Included in the amounts receivable from related party is an amount of AED 7,941,675 thousand (2011: AED 5,586,735 thousand) due from the Government of Dubai representing receivable in respect of such cost overrun of which cost overrun for 2012 is AED 2,555,228 thousand (2011: AED 2,375,153 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 2,555,228 thousand (2011: AED 2,375,153 thousand) has been adjusted against product purchases (cost of revenue) in the consolidated income statement (see note 4). The outstanding balance is subject to interest at the rate of EIBOR plus 150 basis points. The interest on outstanding receivable for the year ended 31 December 2012 amounted to AED 202,125 thousand (2011: AED 116,497 thousand).

#### 20.2 Movement in advance lease rentals

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Opening balance	533,467	531,480
Additions during the year	524,114	99,873
Charge for the year	(115,361)	(97,700)
Translation differences	1,722	(186)
Balance at 31 December	<u>943,942</u>	<u>533,467</u>

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Within one year (see note 22)	152,329	105,324
Over one year	791,613	428,143
	<u>943,942</u>	<u>533,467</u>

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

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	918,750	-
Reversal of provision for impairment on amount due from a related party (see note 7)	(398,737)	-
Transferred from impairment loss on trade and other receivables (see note 22)	-	918,750
At 31 December	<u>520,013</u>	<u>918,750</u>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

**21 INVENTORIES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Finished goods / inventory property	<b>5,033,716</b>	5,270,056
Raw materials	<b>2,789,119</b>	1,287,196
Spare parts and consumables	<b>1,346,637</b>	1,217,501
Work-in-progress	<b>910,642</b>	541,711
Engineering	<b>616,363</b>	594,191
Goods in-transit	<b>324,819</b>	574,572
Consumer goods	<b>290,059</b>	237,527
Others	<b>198,257</b>	173,966
	<b>11,509,612</b>	9,896,720
Provision for slow moving inventories	<b>(358,290)</b>	(260,275)
	<b>11,151,322</b>	9,636,445

**22 TRADE AND OTHER RECEIVABLES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Trade receivables	<b>12,792,110</b>	11,781,353
Contract receivables	<b>38,620</b>	76,366
Retentions receivable - current portion	<b>54,348</b>	87,081
Prepayments and other receivables	<b>3,759,266</b>	3,590,804
Amounts receivable from related parties (see note 39)	<b>8,830,728</b>	8,894,792
Accrued interest receivable	<b>1,574,050</b>	1,648,288
Advances to suppliers	<b>345,139</b>	277,566
Operating lease deposits	<b>692,152</b>	834,859
Advance lease rentals (see note 20.2)	<b>152,329</b>	105,324
	<b>28,238,742</b>	27,296,433
Less: provision for impairment of receivables (see note below)	<b>(565,169)</b>	(406,365)
	<b>27,673,573</b>	26,890,068

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	<b>406,365</b>	1,531,437
Charge for the year (see notes 7 and 22.1)	<b>215,188</b>	150,139
Amounts written off	<b>(32,198)</b>	(100,989)
Reversal during the year (see note 7)	<b>(100,306)</b>	(79,592)
Arising on acquisition of subsidiaries	<b>77,605</b>	-
Arising on transfer of a subsidiary to the Government	<b>-</b>	(175,739)
Translation differences	<b>(1,485)</b>	(141)
Transferred to impairment loss on other non-current asset (see note 20.3)	<b>-</b>	(918,750)
At 31 December	<b>565,169</b>	406,365

22.1 Charge for 2011 includes an amount of AED 35,760 thousand, which forms part of discontinued operations (see note 12 (b)).

Investment Corporation of Dubai and its subsidiaries

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At 31 December 2012

**23 ISLAMIC FINANCING AND INVESTMENT PRODUCTS**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Murabaha	14,440,870	11,645,843
Ijara	11,522,578	8,146,868
Sukuk	-	1,285,550
Wakala	5,998,426	7,127,272
Istisna'a	1,294,979	1,087,428
Secured overdraft and credit cards receivable	824,916	739,701
Others	1,482,795	1,390,749
	<u>35,564,564</u>	<u>31,423,411</u>
Less: Deferred income	(1,347,338)	(787,648)
Less: Allowance for impairment (see note below)	(2,085,951)	(1,423,180)
	<u><u>32,131,275</u></u>	<u><u>29,212,583</u></u>

Islamic financing and investment products includes AED 1,348,572 thousand due from related parties (see note 39).

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b><i>Analysis by economic activity:</i></b>		
Services and personal loans	16,117,771	12,263,092
Construction	9,383,876	8,942,477
Trade	1,124,815	1,217,967
Financial services	5,772,490	7,238,015
Transport and communication	196,213	183,484
Manufacturing	852,248	384,066
Agriculture and allied activities	28,568	457
Others	2,088,583	1,193,853
	<u>35,564,564</u>	<u>31,423,411</u>
Less: Deferred income	(1,347,338)	(787,648)
Less: Allowance for impairment (see note below)	(2,085,951)	(1,423,180)
	<u><u>32,131,275</u></u>	<u><u>29,212,583</u></u>
<b>Disclosed as follows:</b>		
Non-current assets	20,331,166	16,622,589
Current assets	11,800,109	12,589,994
	<u><u>32,131,275</u></u>	<u><u>29,212,583</u></u>

***Movement in allowance for impairment:***

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	1,423,180	861,062
Allowance for impairment made during the year (see note 7)	673,497	564,166
Write-offs during the year	(10,726)	(28,433)
Transfer from allowance for impairment against loans and receivables (see note 24)	-	8,393
Other transfers	-	17,992
	<u>2,085,951</u>	<u>1,423,180</u>
At 31 December	<u><u>2,085,951</u></u>	<u><u>1,423,180</u></u>

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 24 LOANS AND RECEIVABLES

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Overdrafts	<b>84,326,516</b>	70,128,144
Time loans	<b>98,186,564</b>	100,742,161
Loans against trust receipts	<b>3,247,580</b>	2,978,058
Bills discounted	<b>2,777,797</b>	2,180,705
Others	<b>3,794,676</b>	3,752,208
	<b>192,333,133</b>	179,781,276
Other debt instruments	<b>416,549</b>	501,786
Less: allowance for impairment (see note below)	<b>(14,509,232)</b>	(11,484,232)
Net loans and receivables	<b>178,240,450</b>	168,798,830
Disclosed as follows:		
Non-current assets	<b>72,644,622</b>	76,348,007
Current assets	<b>105,595,828</b>	92,450,823
	<b>178,240,450</b>	168,798,830
Total of classified advances on which interest is not taken into consolidated income statement amounted to:	<b>28,716,741</b>	26,800,238

Loans and receivables include AED 80,823,359 thousand (2011: AED 64,995,404 thousand) due from related parties (see note 39).

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b><i>Analysis by segment:</i></b>		
Corporate Banking	<b>159,998,054</b>	150,575,024
Consumer Banking	<b>18,071,396</b>	17,916,655
Treasury	<b>171,000</b>	307,151
	<b>178,240,450</b>	168,798,830
<b><i>Analysis by economic activity:</i></b>		
Services	<b>41,327,226</b>	39,887,206
Personal	<b>28,152,267</b>	30,430,884
Sovereign	<b>73,865,685</b>	56,877,592
Construction	<b>28,977,149</b>	32,336,244
Manufacturing	<b>5,181,834</b>	5,384,523
Trade	<b>6,286,530</b>	5,280,299
Transport and communication	<b>2,797,857</b>	3,538,162
Mining	<b>231,871</b>	897,868
Agriculture and allied activities	<b>15,070</b>	21,115
Others	<b>5,914,193</b>	5,629,169
Loans and receivables before allowance for impairment	<b>192,749,682</b>	180,283,062
Less: allowance for impairment (see note below)	<b>(14,509,232)</b>	(11,484,232)
Net loans and receivables	<b>178,240,450</b>	168,798,830

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 24 LOANS AND RECEIVABLES (continued)

#### *Movement in allowance for impairment*

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	11,484,232	7,499,727
Allowance for impairment made during the year (net of recoveries of AED 980,657 thousand (2011: AED 705,784 thousand)) (see note 7)	3,180,719	4,130,568
Amounts written-off during the year	(73,586)	(14,370)
Interest unwind on impaired loans and receivables	(86,423)	(106,952)
Transfer to allowance for impairment against Islamic financing and investment products (see note 23)	-	(8,393)
Other transfers	4,290	(16,348)
At 31 December	<u>14,509,232</u>	<u>11,484,232</u>

#### *Loan Securitisation*

#### **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 Group 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 Group has retained substantially all of the credit risk and rewards associated with the transferred assets and hence the Group 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 Group 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 Group is exposed to a majority of ownership risks and rewards of SPEs, these SPEs are consolidated in compliance with SIC Interpretation 12-Consolidation-special purpose entities.

As at 31 December 2012, the corporate loans and receivables balance transferred to Ireland SPE is AED 1,876 million and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 1,876 million.

#### **Incorporation of Emirates NBD Auto Finance Limited and Emirates NBD Auto Financing Limited for assets securitisation**

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

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

**24 LOANS AND RECEIVABLES (continued)**

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

On 10 August 2010, the Group transferred retail auto loans and receivables amounting to AED 968.5 million to APC (as at 31 December 2010). However, the Group has retained the credit risk associated with the transferred assets. Due to retention of the risks and rewards of the transferred assets, the Group continues to recognize 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 Group is exposed to majority of ownership risks and rewards of these special purpose entities (SPE), these SPEs are consolidated in compliance with SIC Interpretation 12 – Consolidation – special purpose entities.

As at 31 December 2012, the auto loans and receivables balance transferred to APC is AED 968 million (2011: AED 971 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 810 million (2011: AED 907 million).

**Consolidation of the Group's Tranche of Emblem Finance Company No. 2 Limited (multi-seller SPE) for assets securitisation**

On 22 November 2010, the Group transferred corporate loans and receivables amounting to AED 2,193 million (as at 31 December 2010) to Emblem Finance Company No. 2 Limited (Multi-seller SPE). However, the Group has retained substantially all of the credit risk and rewards associated with the transferred assets and hence the Group continues to recognize 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 Group is exposed to a majority of ownership risks and rewards of this section of the multi seller SPE, the Group's tranche in the SPE is consolidated in compliance with SIC Interpretation 12 – Consolidation – special purpose entities.

As at 31 December 2012, the corporate loans and receivables balance transferred to Multi-seller SPE is AED 677 million (2011: AED 881 million) and the associated liability secured by these assets and included under debt issued and other borrowed funds is AED 674 million (2011: AED 880 million).

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**25 CASH AND DEPOSITS WITH BANKS**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b><u>Banking operations</u></b>		
<b>Cash and deposits with Central Bank</b>		
Cash	7,248,011	3,192,619
Interest free statutory and special deposits with Central bank (see note (a) below)	14,318,851	12,633,518
Interest bearing certificates of deposits with Central bank (see note (a) below)	9,205,000	5,700,000
<b>Total (A)</b>	<b>30,771,862</b>	<b>21,526,137</b>
<b>Due from other banks</b>		
Overnight, call and short notice	5,938,664	8,213,309
Time loans	11,574,030	11,669,283
Less: allowance for impairment	(34,247)	(31,013)
<b>Total (B)</b>	<b>17,478,447</b>	<b>19,851,579</b>
<b>Total (C = A+B)</b>	<b>48,250,309</b>	<b>41,377,716</b>
<b><u>Non-banking operations</u></b>		
Cash at bank and in hand	5,099,169	3,478,653
Placements with banks and other financial institutions	909,665	497,437
Short-term deposits	21,090,819	17,164,289
<b>Total (D)</b>	<b>27,099,653</b>	<b>21,140,379</b>
<b>Total (C+D)</b>	<b>75,349,962</b>	<b>62,518,095</b>
<b>Disclosed as follows:</b>		
Non-current assets	2,495,055	1,925,820
Current assets	72,854,907	60,592,275
	<b>75,349,962</b>	<b>62,518,095</b>

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents include the following:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Cash and deposits with banks - current	72,854,907	60,592,275
Islamic financing and investment products with original maturity of less than three months	559,122	1,834,995
Due to banks (see note 31)	(22,168,827)	(26,105,233)
Bank overdrafts (see note 31)	(950,493)	(604,188)
	<b>50,294,709</b>	<b>35,717,849</b>
Due to banks with original maturity of more than three months	3,488,493	3,707,765
Deposits with Central Bank for regulatory purposes	(20,568,851)	(18,333,518)
Deposits with other banks with original maturity of more than three months	(20,223,957)	(12,040,628)
	<b>12,990,394</b>	<b>9,051,468</b>

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**26 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE / DISCONTINUED OPERATIONS**

**a) Alpha Flight Group Limited (United Kingdom) ("Alpha Limited")**

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 UK Limited to the jointly controlled entity. The transferred business is classified as discontinued operations. The interest in Alpha LSG is accounted 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.

**b) 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 (a subsidiary of the Group and parent entity of Alpha Flight Services BV, Netherlands) strategy of focusing on markets that offer high growth opportunities at reasonable profit margins.

**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**

	<b>2012 AED' million</b>
Revenue	<b>946</b>
Cost of revenue / other expenses	<b>(900)</b>
	<hr/>
Profit for the year before income tax from discontinued operations	<b>46</b>
Income tax expense	<b>(13)</b>
	<hr/>
Profit for the year from discontinued operations	<b>33</b>
	<hr/> <hr/>
Net cash generated from operating activities	<b>82</b>
	<hr/> <hr/>
Net cash generated from investing activities	<b>-</b>
	<hr/> <hr/>
Net cash used in financing activities	<b>(76)</b>
	<hr/> <hr/>

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At 31 December 2012

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

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

	<b>2012</b> <b>AED' million</b>
Property, plant and equipment (see note 14)	145
Intangible assets (see note 15)	95
Deferred tax asset	1
Trade and other receivables	31
Employees' end of service benefits (see note 30)	(4)
Deferred tax liability	(14)
Trade and other payables	(47)
	<hr/>
<b>Carrying value of share of net assets on the date of disposal</b>	<b>207</b> <hr/> <hr/>

	<b>2012</b> <b>AED' million</b>
<b>Net consideration:</b>	
Equity shares in joint venture	99
Receivable from joint venture	106
Cash and cash equivalents	22
	<hr/>
Total consideration	227
Carrying value of share of net assets on date of disposal	(207)
	<hr/>
Net gain on sale of discontinued operations	20
Disposal cost	(13)
	<hr/>
Net gain	7 <hr/> <hr/>

**c) DAE Flight Academy**

During the prior year, 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 Dubai Aerospace Enterprise Flight Academy (one of its subsidiaries).

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

	<b>2012</b> <b>AED'000</b>
<b>Assets classified as held for sale</b>	
Intangible assets	10,033 <hr/> <hr/>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Trade and other payables	10,084 <hr/> <hr/>

**d) Network International LLC**

On 31 March 2011, one of the subsidiaries of the Group completed the sale of 49% shareholding in Network International LLC, an indirect subsidiary of the Group, for a net consideration of AED 1,366 million.

The consideration for the sale has been part financed in cash and part by a term loan of AED 707 million from the Group to the purchaser. The sale transaction gave rise to a net gain on disposal of AED 957 million.

The partial consideration financed by the term loan of AED 707 million was discounted at the cost of equity of the subsidiary of the Group as at 31 December 2010, resulting in an unamortised gain which is recognised in the consolidated income statement over the tenor of the loan (5 years).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

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

##### d) Network International LLC (continued)

	<i>AED in millions</i>
Net consideration received	1,366
Carrying value of share of net assets on date of disposal	(409)
Realised gain in 2011 on disposal of 49% shareholding in Network International LLC	957
Fair value gain on retained interest in joint venture*	856
	<u>1,813</u>

\*The fair value of the retained stake of 51% in Network International LLC (joint venture) was estimated at AED 1,282 million as of 31 March 2011. The fair value gain on measurement of the retained shareholding was AED 856 million which was recognised in the consolidated income statement in 2011.

As a result of such sale, the Group lost control over Network International LLC and it is now classified as a joint venture.

#### 27 CAPITAL

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	<b>64,253,449</b>	224,394,919
Increase in capital during the year	<b>281,000</b>	-
Transfer of freehold land contributed by the Government (see note (a) below)	-	80,396
Return of capital to the Government (see note (b) below)	-	(154,520)
Transfer of a subsidiary back to the Government (see note 12(a))	-	(160,067,346)
	<u><b>64,534,449</b></u>	<u>64,253,449</u>

a) During 2011, title of certain properties were transferred by the Government to the Group in the form of capital contribution, which was eventually passed on by ICD to one of its subsidiaries in 2011. The properties were transferred at their fair values at the date of transfer amounting to AED 80,396 thousand

b) During 2011, one of the subsidiaries of ICD repaid part of its capital by transfer of investment properties having a carrying value of AED 154,520 thousand to ICD. These were transferred onwards by ICD to the Government and were treated as repayment of capital.

#### 28 DISTRIBUTION TO THE GOVERNMENT

The distributions totalling AED 1,166,933 thousand (2011: AED 4,994,600 thousand) were paid based on directives received from the Government.

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29 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 2012	1,362,495	459,452	8,444,933	17,267	3,053,586	309,247	8,109	(924,576)	(185,618)	12,544,895
Unrealised gain on available-for-sale investments	-	-	-	-	501,379	-	-	-	-	501,379
- ICD and its subsidiaries	-	-	-	-	46,949	-	-	-	-	46,949
- Associates and joint ventures	-	-	-	-	(394,455)	-	-	-	-	(394,455)
(Loss) / gain on hedging instruments (net)	-	-	-	-	14,199	-	-	-	-	14,199
- ICD and its subsidiaries	-	-	-	-	-	-	-	-	-	-
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	100,698	-	100,698
- ICD and its subsidiaries	-	-	-	-	-	-	-	74,978	-	74,978
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Total income and expense for the year recognised directly in equity	305,627	1,000,559	-	-	168,072	-	-	175,676	-	343,748
Transfer from / (to) retained earnings	140	26,041	-	-	(3,394)	-	1,032	(5)	(2,767)	1,301,052
Change in ownership	-	(3,654)	734,383	-	143,013	-	-	(107,394)	(2,963)	793,220
Other movements	-	-	-	-	-	-	-	-	12,960	9,306
<b>Total at 31 December 2012</b>	<b>1,668,262</b>	<b>1,482,398</b>	<b>9,179,316</b>	<b>17,267</b>	<b>3,361,277</b>	<b>309,247</b>	<b>9,141</b>	<b>(856,299)</b>	<b>(178,388)</b>	<b>14,992,221</b>

Investment Corporation of Dubai and its subsidiaries

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At 31 December 2012

29 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 2011	1,157,329	451,646	8,444,933	17,267	2,832,628	309,247	9,340	(669,802)	(168,212)	12,384,376
Unrealised (loss)/gain on available-for-sale investments	-	-	-	-	291,121	-	-	-	-	291,121
- ICD and its subsidiaries	-	-	-	-	(97,395)	-	-	-	-	(97,395)
- Associates and joint ventures	-	-	-	-	43,131	-	-	-	-	43,131
(Loss) / gain on hedging instruments (net)	-	-	-	-	(15,899)	-	-	-	-	(15,899)
- ICD and its subsidiaries	-	-	-	-	-	-	-	-	-	-
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	(42,297)	-	(42,297)
- ICD and its subsidiaries	-	-	-	-	-	-	-	(212,477)	-	(212,477)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Total income and expense for the year recognised directly in equity	-	-	-	-	220,958	-	-	(254,774)	-	(33,816)
Transfer from / (to) retained earnings	205,166	-	-	-	-	-	(1,231)	-	(22,355)	181,580
Other movements	-	7,806	-	-	-	-	-	-	4,949	12,755
Total at 31 December 2011	1,362,495	459,452	8,444,933	17,267	3,053,586	309,247	8,109	(924,576)	(185,618)	12,544,895

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 29 OTHER RESERVES (continued)

#### Legal and statutory reserve

In accordance with the Articles of Association of the entities forming part of 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 (2011: AED 446,675 thousand) in respect of the Group's share of general 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% holding) and NASDAQ Dubai Limited ("NASDAQ DUBAI") (formerly Dubai International Financial Exchange Limited) (100% holding) 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. No consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai and the entire 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 the current year, the Group's stake in Borse Dubai has increased from 79.43% to 89.72% resulting in an increase of AED 734,383 thousand in the merger reserve.

In accordance with Emiree Decree No. 35 of 2010 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 has been 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 had been recognised in merger reserve.

#### Translation reserve

Translation reserve comprises 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.

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**30 EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>(Restated)</i>
Balance at beginning of the year (as previously reported)	<b>1,406,654</b>	1,094,893
Change in accounting policy (see note 2.3)	-	118,543
	<hr/>	<hr/>
Balance at beginning of the year (Restated)	<b>1,406,654</b>	1,213,436
On disposal of indirect subsidiaries (see note 26 (b) and 12(b))	<b>(4,048)</b>	(61,789)
Arising on business combination (see note 13)	<b>6,527</b>	-
Provision made during the year	<b>801,150</b>	802,639
End of service benefits paid	<b>(662,533)</b>	(552,593)
Other movements	<b>945</b>	4,961
	<hr/>	<hr/>
At 31 December	<b>1,548,695</b>	1,406,654
Less: current portion	<b>(1,342)</b>	(831)
	<hr/>	<hr/>
Non-current portion	<b>1,547,353</b>	1,405,823
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**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 2012, 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% (2011: 5%) and a discount rate of 4% - 5% (2011: 5%) per annum. The present values of the defined benefit obligations at 31 December 2012 were computed using the actuarial assumptions set out above.

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i> <i>(Restated)</i>	<i>2010</i> <i>AED'000</i> <i>(Restated)</i>
Present value of funded defined benefit obligations	<b>1,572,433</b>	1,355,436	1,241,237
Less: Fair value of plan assets (see note below)	<b>(1,510,526)</b>	(1,274,934)	(1,175,517)
	<hr/>	<hr/>	<hr/>
	<b>61,907</b>	80,502	65,720
Present value of unfunded defined benefit obligations	<b>1,486,788</b>	1,326,152	1,147,716
	<hr/>	<hr/>	<hr/>
Employee end of service benefits provision	<b>1,548,695</b>	1,406,654	1,213,436
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 30 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 the Group contributes 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 value of the plan assets in respect of the funded scheme are as follows:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
At the beginning of the year	<b>1,274,934</b>	1,175,517
Contributions made	<b>255,003</b>	176,012
Benefits paid	<b>(117,950)</b>	(55,315)
Change in fair value	<b>104,502</b>	(19,926)
Other movements	<b>(5,963)</b>	(1,354)
At 31 December	<b><u>1,510,526</u></b>	<u>1,274,934</u>

The Group expects to contribute approximately AED 243 million for existing plan members during the year ending 31 December 2013.

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

##### (ii) Unfunded schemes

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



Investment Corporation of Dubai and its Subsidiaries  
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**31 BORROWINGS AND LEASE LIABILITIES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b><u>Banking operations</u></b>		
<b>Non-current liabilities</b>		
Debts issued and other borrowed funds	12,764,372	7,172,190
Sukuk payable (Bonds)	3,673,000	-
	<hr/>	<hr/>
<b>(A)</b>	<b>16,437,372</b>	<b>7,172,190</b>
<b>Current liabilities</b>		
Due to banks (see note 25)	22,168,827	26,105,233
Debts issued and other borrowed funds	4,426,420	8,464,677
Sukuk payable (Bonds)	-	1,239,181
	<hr/>	<hr/>
<b>(B)</b>	<b>26,595,247</b>	<b>35,809,091</b>
<b>Total (C=A+B)</b>	<b>43,032,619</b>	<b>42,981,281</b>
<b><u>Non-banking operations</u></b>		
<b>Non-current liabilities</b>		
Bonds	5,195,257	5,744,442
Bank borrowings	17,936,222	12,864,050
Loan from Government, MOF and other related parties	14,214,095	13,993,419
Finance lease liabilities	23,468,057	18,310,173
Loans from associates and joint ventures	1,893,634	1,224,334
	<hr/>	<hr/>
<b>(D)</b>	<b>62,707,265</b>	<b>52,136,418</b>
<b>Current liabilities</b>		
Bank borrowings	14,088,710	6,406,957
Finance lease liabilities	2,347,123	2,251,253
Bank overdrafts (see note 25)	950,493	604,188
Loans from associates and joint ventures	1,297,292	18,191
Bonds	6,659,350	6,791,441
Loans from Government and other related parties	579,324	401,000
	<hr/>	<hr/>
<b>(E)</b>	<b>25,922,292</b>	<b>16,473,030</b>
<b>Total (F=D+E)</b>	<b>88,629,557</b>	<b>68,609,448</b>
	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Disclosed as follows:		
Non-current liabilities (A+D)	79,144,637	59,308,608
Current liabilities (B+E)	52,517,539	52,282,121
	<hr/>	<hr/>
	<b>131,662,176</b>	<b>111,590,729</b>
	<hr/>	<hr/>

Investment Corporation of Dubai and its Subsidiaries  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 At 31 December 2012

**31 BORROWINGS AND LEASE LIABILITIES (continued)**

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

**2012**

	<i>Notes</i>	<i>Year of maturity</i>	<i>Face value AED'000</i>	<i>Carrying value AED'000</i>
Debts issued and other borrowed funds	31(a)	2013-2022	<b>17,190,792</b>	<b>17,190,792</b>
Due to banks (see note 25)	31(b)	2013	<b>22,168,827</b>	<b>22,168,827</b>
Bank borrowings	31(c)	2013-2025	<b>32,024,932</b>	<b>32,024,932</b>
Loans from Government, MOF and other related parties (see note 39)	31(d)	various upto 2015	<b>14,793,419</b>	<b>14,793,419</b>
Loans from associates and joint ventures (see note 39)	31(e)	various upto 2024	<b>3,190,926</b>	<b>3,190,926</b>
Bonds (including sukuk)	31(f)	various upto 2017	<b>15,527,607</b>	<b>15,527,607</b>
Finance lease liabilities	31(g)	2013-2022	<b>25,815,180</b>	<b>25,815,180</b>
Bank overdrafts (see note 25)		2013	<b>950,493</b>	<b>950,493</b>
			<b>131,662,176</b>	<b>131,662,176</b>

**2011**

	<i>Notes</i>	<i>Year of maturity</i>	<i>Face value AED'000</i>	<i>Carrying value AED'000</i>
Debts issued and other borrowed funds	31(a)	2012-2022	15,636,867	15,636,867
Due to banks (see note 25)	31(b)	2012	26,105,233	26,105,233
Bank borrowings	31(c)	2013-2017	19,271,007	19,271,007
Loans from Government, MOF and other related parties (see note 39)	31(d)	various upto 2015	14,394,419	14,394,419
Loans from associates and joint ventures (see note 39)	31(e)	various upto 2013	1,242,525	1,242,525
Bonds (including sukuk)	31(f)	various upto 2016	13,775,064	13,775,064
Finance lease liabilities	31(g)	2012-2022	20,561,426	20,561,426
Bank overdrafts (see note 25)		2012	604,188	604,188
			<b>111,590,729</b>	<b>111,590,729</b>

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

a) *Debts issued and other borrowed funds*

	<b>2012 AED'000</b>	<b>2011 AED'000</b>
Medium-term note programme	<b>13,830,670</b>	8,340,640
Syndicated borrowings from banks	-	5,508,750
Borrowing raised from loan securitisation (see note 24)	<b>3,360,122</b>	1,787,477
	<b>17,190,792</b>	<b>15,636,867</b>

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 31 BORROWINGS AND LEASE LIABILITIES (continued)

##### a) Debts issued and other borrowed funds (continued)

The repayment profile of the above liabilities is as follows:

	<i>2012</i> <i>AED</i> <i>in millions</i>	<i>2011</i> <i>AED</i> <i>in millions</i>
2012	-	8,362
2013	4,426	2,075
2014	1,477	231
2015	1,276	880
2016	1,513	618
2017	4,103	-
2018	2,563	2,564
2019	26	-
2020	180	-
2022	1,627	907
	<u>17,191</u>	<u>15,637</u>

The effective interest rate on the above is 2.8% per annum (2011: 1.6% per annum)

The medium term note programme includes subordinated notes issued amounting to AED 599 million (2011: AED 618 million) due in 2016 and AED 1,326 million (2011: AED 1,343 million) due in 2018. These notes, in the event of the winding up of the issuer (a subsidiary of the Group), will be subordinated to the claims of depositors and all other creditors of the issuer.

The Group has not had any defaults in principal interest or other breaches with respect to its subordinated liabilities during the current or prior year.

##### b) Due to banks

These balances comprise demand and call deposits of AED 33,603 thousand (2011: AED 83,191 thousand), balances with correspondent banks of AED 1,632,166 thousand (2011: AED 4,355,918 thousand) and time and other deposits of AED 20,503,058 thousand (2011: AED 21,666,124 thousand) received by the Group's banking operations from other banks.

The effective interest rate on the above is 1.2% per annum (2011: 1.3% per annum).

##### c) Bank borrowings

Bank borrowings include:

- AED 7,864,011 thousand (2011: AED 7,071,325 thousand) at rates ranging from 2.8% to 3.2% per annum (2011: 2.75 % to 3.5 %). 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.
- AED 2,885,083 thousand (2011: AED 2,737,343 thousand) being unsecured term loans carrying interest at LIBOR plus margin. These loans are repayable over a period upto 2014 (2011: period upto 2015).

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 31 BORROWINGS AND LEASE LIABILITIES (continued)

*c) Bank borrowings (continued)*

- USD 167,000 thousand (2011: USD 167,000 thousand) and AED 306,083 thousand (2011: AED 306,083 thousand) being an Islamic Commodity Syndicated Facility (“ICSF”). This facility is repayable in August 2013 and carries a profit rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively.
- USD 1,041,621 thousand (2011: USD 958,000 thousand) and AED 459,125 thousand (2011: AED 765,208 thousand) being Conventional Syndicated Facility (“CSF”). This facility is repayable in August 2013 and carries an interest rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively
- USD 833,000 thousand (2011: USD 733,000 thousand) and AED 918,300 (2011:AED 183,650 thousand) being bilateral facilities carrying interest rates ranging from 2.85% to 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.
- AED 9,089,473 thousand as at 31 December 2012 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 7.75% per annum or variable rates based on LIBOR plus a spread of 0.27% to 4.75% per annum.
- During 2012, AED 1,401,673 thousand being a syndicated facility from international, regional and local banks were drawn down, This loan carries an interest rate of 3.25% over LIBOR and EIBOR for USD and AED borrowings respectively and is repayable over the period of six years, starting January 2013.
- 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*

This mainly includes various loans from related parties as follows:

- AED 4 billion (2011: AED 4 billion) is at interest rate of 6.45% per annum obtained during 2009 from the Government. Management does not expect it to be repaid in 2013 and therefore this has been classified as a non current liability.
- USD 2.5 billion (2011: USD 2.5 billion) at interest rate of 4.5% per annum obtained during 2009 from the MOF, and was originally repayable in February 2012. During 2012, this loan was rescheduled and is now repayable in February 2015 with no changes in any other terms and conditions.
- AED 579,324 thousand (2011: AED 699,324 thousand) is an unsecured loan from the Department of Finance carrying a profit rate of 0.60% over EIBOR. Four quarterly instalments of AED 30,000 thousand were repayable each in 2012 and the balance amount of AED 579,324 thousand is due on 31 March 2013. The repayments were made on due dates.
- AED 226,595 thousand (2011: AED 226,595 thousand) is an unsecured loan obtained from the Department of Finance and has no fixed repayment terms. This carries interest at the rate prevailing at the time the funds were transferred.
- AED 800,000 thousand (2011: AED Nil) is a Wakala deposit by the Department of Finance that carries a profit rate of 2.5%. Management does not expect it to be repaid in 2013 and therefore this has been classified as a non current liability.

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 31 BORROWINGS AND LEASE LIABILITIES (continued)

##### e) Loans from associates and joint venture

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

- AED 612,167 thousand (2011: AED 612,167 thousand) being an Islamic Commodity Syndicated Facility (“ICSF”). This facility is repayable in August 2013 and carries a profit rate of 1.5% over EIBOR.
- AED 612,167 thousand (2011: AED 612,167 thousand) being Sharikat Al Melk Facilities (“SAMF”). This facility is repayable in August 2013 and carries a profit rate of 1.5% over EIBOR.
- AED 161,000 thousand (2011: AED Nil) being a Mudaraba financing arrangement and carries a profit mark up and is repayable in December 2016.
- AED 857,034 thousand (2011: AED Nil) being an Ijara facility has been borrowed in 2012, which is repayable in February 2017. This facility carries a profit rate of 2.95% over EIBOR.
- AED 554,000 thousand (2011: AED Nil) being an Ijara facility repayable over the term upto 2024 carries profit rate of 3.25% over EIBOR. This relates to newly acquired entity during the year.
- AED 275,304 thousand (2011: AED Nil) being an Islamic facility, which is repayable in July 2015 carries profit rate of 1.25% over EIBOR. This relates to newly acquired entity during the year.
- 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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Bonds are denominated in the following currencies:		
US Dollars (refer (i))	<b>8,448,500</b>	6,932,331
UAE Dirhams (refer (ii) and (iii))	<b>6,659,785</b>	6,436,032
Singapore Dollars (refer (iv))	<b>450,713</b>	422,994
	<b>15,558,998</b>	13,791,357
Less: transaction costs	<b>(31,391)</b>	(16,293)
	<b>15,527,607</b>	13,775,064

The effective interest rate on bonds is 3.56% (2011: 3.4%).

##### i) USD bonds include:

- bonds amounting to AED 3,673,000 thousand (2011: AED 3,673,000 thousand) carrying a fixed interest rate of 5.125% over their term and are repayable in June 2016.
- bonds amounting to AED 2,020,150 thousand (2011: AED 2,020,150 thousand) representing the proceeds raised from an Islamic sukuk (bond) issued to finance the construction of certain buildings. These were fully paid in June 2012.
- bonds amounting to AED 1,239,181 thousand (2011: AED 1,267,875 thousand) were fully paid in June 2012.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 31 BORROWINGS AND LEASE LIABILITIES (continued)

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 2011, DAE Engineering may redeem any portion of the Notes at pre-determined premiums plus accrued and unpaid interest to the redemption date. The predetermined premiums are 102.81% and 100.00% in 2012 and 2013 and thereafter respectively. 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 are listed on the London Stock Exchange. The terms of the arrangement include transfer of certain identified Ijara assets of AED 3.7 billion (the "co-owned assets") of EIB to EIB Sukuk Company Limited – (the "Issuer"), a special purpose vehicle formed for the issuance of the Sukuk. In substance, the co-owned assets remain in control of the Group; accordingly these assets continue to be recognised by the Group. In case of any default, the Group 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 Group and shall continue to be serviced by the Group.

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 Group has undertaken to repurchase the assets at the exercise price.

- ii) UAE Dirham bonds include AED 4,923,285 thousand (2011: AED 4,771,649 thousand) payable to bond holders of one of the subsidiaries of the Group which is a Shari'a compliant open ended investment fund. These bonds were offered under the prospectus issued by the subsidiary of the Group and have a face value of AED 10 per bond and are repayable on demand of the bond holders.
- iii) UAE dirham bonds amounting to AED 1,736,500 thousand (2011: AED 1,664,383 thousand) are based on six month EIBOR plus 65 bps and are repayable in July 2013.
- iv) Singapore Dollar bonds amounting to AED 450,713 thousand (2011: AED 422,994 thousand) carrying a fixed interest rate of 4.64% over its term and are repayable in June 2016.

#### g) Finance lease liabilities

Finance lease liabilities are payable as follows:

	<i>Future lease payments 2012 AED'000</i>	<i>Interest and term deposit component 2012 AED'000</i>	<i>Present value of minimum lease payments 2012 AED'000</i>
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
	<u>30,523,495</u>	<u>(4,708,315)</u>	<u>25,815,180</u>

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**31 BORROWINGS AND LEASE LIABILITIES (continued)**

g) *Finance lease liabilities (continued)*

	<i>Future lease payments 2011 AED'000</i>	<i>Interest and term deposit component 2011 AED'000</i>	<i>Present value of minimum lease payments 2011 AED'000</i>
Less than one year	2,802,044	(550,791)	2,251,253
Between one and five years	9,626,541	(2,319,994)	7,306,547
More than five years	12,542,771	(1,539,145)	11,003,626
	<u>24,971,356</u>	<u>(4,409,930)</u>	<u>20,561,426</u>

The finance lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 December 2012, the penalties would have been AED Nil (2011: AED 61,849 thousand). The fair value of net lease liabilities amounts to AED 25,033,123 thousand (2011: AED 19,435,249 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 2.85% (2011: 2.57%).

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 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 by its group companies.

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**32 DERIVATIVE FINANCIAL INSTRUMENTS**

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with 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.

2012

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amounts</i>		
			<i>Total AED'000</i>	<i>&lt;1 year AED'000</i>	<i>&gt;1 year AED'000</i>
<b><u>Banking operations</u></b>					
<b><i>Derivatives held for trading:</i></b>					
Forward foreign exchange 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
	<u>2,054,359</u>	<u>(1,960,488)</u>	<u>149,037,192</u>	<u>108,527,464</u>	<u>40,509,728</u>
<b><i>Derivatives held as cash flow hedges:</i></b>					
Interest rate swaps	124,498	(21,581)	3,650,000	-	3,650,000
	<u>124,498</u>	<u>(21,581)</u>	<u>3,650,000</u>	<u>-</u>	<u>3,650,000</u>
<b><i>Derivatives held for fair value hedges:</i></b>					
Interest rate swaps	39,525	(52,075)	1,888,584	64,189	1,824,395
	<u>39,525</u>	<u>(52,075)</u>	<u>1,888,584</u>	<u>64,189</u>	<u>1,824,395</u>
<b>(A)</b>	<b><u>2,218,382</u></b>	<b><u>(2,034,144)</u></b>	<b><u>154,575,776</u></b>	<b><u>108,591,653</u></b>	<b><u>45,984,123</u></b>



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**32 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

2012 (continued)

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amounts Total AED'000</i>	<i>&lt;1 year AED'000</i>	<i>&gt;1 year AED'000</i>
<b><u>Non-banking operations</u></b>					
<b><u>Derivatives held for trading:</u></b>					
Commodity forward contracts and options	142,120	(60,671)	6,287,844	-	6,287,844
<b><u>Derivatives held as cash flow hedges:</u></b>					
Forward foreign exchange 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
	<b>53,050</b>	<b>(1,225,068)</b>	<b>16,849,501</b>	<b>3,021,433</b>	<b>13,828,068</b>
<b><u>Derivatives held for fair value hedges:</u></b>					
Forward foreign exchange contracts	114	(12,329)	(353,392)	(353,392)	-
<b>(B)</b>	<b>195,284</b>	<b>(1,298,068)</b>	<b>22,783,953</b>	<b>2,668,041</b>	<b>20,115,912</b>
<b>Total (A+B)</b>	<b>2,413,666</b>	<b>(3,332,212)</b>	<b>177,359,729</b>	<b>111,259,694</b>	<b>66,100,035</b>

2011

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Notional amounts Total AED'000</i>	<i>&lt;1 year AED'000</i>	<i>&gt;1 year AED'000</i>
<b><u>Banking operations</u></b>					
<b><u>Derivatives held for trading:</u></b>					
Forward foreign exchange contracts	173,497	(173,028)	68,147,954	66,644,530	1,503,424
Foreign exchange options	152,578	(150,006)	5,243,885	5,095,149	148,736
Interest rate swaps / caps	1,782,058	(1,684,846)	67,823,843	16,541,119	51,282,724
Credit derivatives	13,502	(42,456)	4,504,028	3,979,593	524,435
Equity options	191,475	-	269,033	258,750	10,283
	2,313,110	(2,050,336)	145,988,743	92,519,141	53,469,602
<b><u>Derivatives held as cash flow hedges:</u></b>					
Interest rate swaps	85,764	(5,870)	4,772,605	2,022,605	2,750,000
<b><u>Derivatives held for fair value hedges:</u></b>					
Interest rate swaps	-	(12,565)	84,975	-	84,975
<b>(A)</b>	<b>2,398,874</b>	<b>(2,068,771)</b>	<b>150,846,323</b>	<b>94,541,746</b>	<b>56,304,577</b>

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**32 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

2011 (continued)

	Positive fair value AED'000	Negative fair value AED'000	Total AED'000	Notional amounts	
				<1 year AED'000	>1 year AED'000
<i>Non-banking operations</i>					
<i>Derivatives held for trading:</i>					
Commodity forward contracts and options	280,498	(55,225)	10,221,969	4,482,633	5,739,336
<i>Derivatives held as cash flow hedges:</i>					
Forward foreign exchange contracts	201,385	(138,286)	5,584,258	3,946,148	1,638,110
Commodity forward contracts	196,027	-	196,027	196,027	-
Interest rate swaps	-	(941,737)	12,730,076	86,060	12,644,016
	397,412	(1,080,023)	18,510,361	4,228,235	14,282,126
<i>Derivatives held for fair value hedges:</i>					
Forward foreign exchange contracts	26,902	-	396,657	396,657	-
Commodity forward contracts	5,388	-	10,854	10,854	-
	32,290	-	407,511	407,511	-
(B)	710,200	(1,135,248)	29,139,841	9,118,379	20,021,462
Total (A+B)	3,109,074	(3,204,019)	179,986,164	103,660,125	76,326,039

**Disclosed as follows:**

	2012 AED'000	2011 AED'000
Current assets	731,882	1,199,988
Non-current assets	1,681,784	1,909,086
<b>Total</b>	<b>2,413,666</b>	<b>3,109,074</b>
Current liabilities	(680,268)	(475,475)
Non-current liabilities	(2,651,944)	(2,728,544)
<b>Total</b>	<b>(3,332,212)</b>	<b>(3,204,019)</b>
<b>Net fair value of derivatives</b>	<b>(918,546)</b>	<b>(94,945)</b>

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**33 OTHER NON-CURRENT PAYABLES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Deferred credits	<b>306,489</b>	378,931
Deferred service revenue	<b>1,835,025</b>	2,113,235
Retention payable	<b>279,377</b>	194,382
Provision for maintenance	<b>1,068,711</b>	-
Maintenance reserve	<b>838,106</b>	-
Other provisions	<b>922</b>	-
Due to related parties (see note 39)	<b>25,493</b>	-
Other non-current payables	<b>360,142</b>	357,035
	<b>4,714,265</b>	<b>3,043,583</b>

**34 TRADE AND OTHER PAYABLES**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Trade payables	<b>27,370,798</b>	15,070,883
Passenger sales in advance	<b>8,956,056</b>	8,257,128
Accrued interest payable	<b>1,508,008</b>	1,520,174
Advance from customers	<b>371,081</b>	211,312
Amounts due to associates and joint ventures (see note 39)	<b>1,044,488</b>	909,714
Amounts due to other related parties (see note 39)	<b>201,919</b>	164,194
Managers' cheques	<b>1,043,054</b>	563,569
Decommissioning liability	<b>1,611,359</b>	1,134,862
Unearned rent and service charges	<b>2,899,307</b>	475,639
Deferred credits	<b>96,327</b>	144,618
Members' margin deposit (see note (a) below)	<b>8,662</b>	21,220
Other payables and accruals	<b>5,106,803</b>	4,944,146
	<b>50,217,862</b>	<b>33,417,459</b>

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

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**35 CUSTOMER DEPOSITS**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Time	<b>95,263,715</b>	84,003,998
Demand, call and short notice	<b>47,991,073</b>	48,329,750
Savings	<b>13,713,039</b>	10,669,784
Others	<b>1,114,401</b>	1,347,940
	<b>158,082,228</b>	144,351,472
Disclosed as follows:		
Non-current liabilities	<b>15,277,375</b>	11,907,440
Current liabilities	<b>142,804,853</b>	132,444,032
	<b>158,082,228</b>	144,351,472

The interest rates paid on the above deposits averaged 1.5% per annum (2011: 1.8 % per annum).

Customers deposits include AED 14,195,752 thousand (2011: AED 16,325,384 thousand) pertaining to related parties (see note 39).

**36 ISLAMIC CUSTOMER DEPOSITS**

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Time	<b>23,045,285</b>	28,066,318
Demand, call and short notice	<b>5,428,271</b>	4,718,250
Savings	<b>4,258,737</b>	3,176,557
Others	<b>245,289</b>	148,836
	<b>32,977,582</b>	36,109,961
Disclosed as follows:		
Non-current liabilities	<b>6,074,115</b>	4,709,500
Current liabilities	<b>26,903,467</b>	31,400,461
	<b>32,977,582</b>	36,109,961

Islamic customers deposits include AED 1,082 million (2011: AED 1,082 million) pertaining to facilities received from the Ministry of Finance of the UAE (see note 39).

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**37 DEPOSITS UNDER REPURCHASE AGREEMENTS**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Available-for-sale investments (see note 19)	<b>514,552</b>	2,404,975
Cash collateral	<b>216,321</b>	114,685
	<b>730,873</b>	2,519,660

**38 COMMITMENTS AND CONTINGENCIES**

**(a) Investment commitments**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Available-for-sale investments	<b>728,058</b>	801,471
Group's share of investment commitments in associates	<b>41,270</b>	60,031
Group's share of investment commitment in joint ventures	<b>4,845,869</b>	6,441,326
Others	<b>300,754</b>	315,638
	<b>5,915,951</b>	7,618,466

Investment commitments in joint ventures include the Group's share of an investment commitment in Emirates Aluminium Company Ltd ("EMAL").

**(b) Operating lease commitments**

**Group as lessee**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Within one year	<b>6,670,162</b>	5,653,042
After one year but not more than five years	<b>22,499,852</b>	19,670,432
More than five years	<b>16,737,202</b>	12,562,589
	<b>45,907,216</b>	37,886,063

In the event of certain aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 December 2012, the penalties would have been AED 277.37 million (2011: AED 425.9 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 thirteen of one hundred and twenty nine (2011: fifteen of one hundred and thirteen) aircraft under these leases.

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**38 COMMITMENTS AND CONTINGENCIES (continued)**

**(b) Operating lease commitments (continued)**

**Group as lessor**

The Group has entered into commercial property leases on its portfolio of properties, consisting of the Group's investment properties. These non-cancellable leases have remaining terms of between 3 and 5 years. All leases include a clause to enable an upward revision of the rental charge on an annual basis according to prevailing market conditions.

During 2012, the Group has acquired a subsidiary which enters into non cancellable operating leases for aircraft expiring from 2013 to 2024.

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Within one year	<b>1,901,309</b>	878,060
After one year but not more than five years	<b>4,829,358</b>	1,571,082
More than five years	<b>1,267,069</b>	567,580
	<u><b>7,997,736</b></u>	<u>3,016,722</u>

**(c) Capital commitments**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Capital commitments for purchase of aircraft fleet are as follows:		
Upto 1 year	<b>14,236,351</b>	18,203,454
2-5 years	<b>91,236,797</b>	76,966,255
Above 5 years	<b>47,080,206</b>	69,086,863
	<u><b>152,553,354</b></u>	<u>164,256,572</u>
Commitment for purchase of other property, plant and equipment	<b>9,398,821</b>	6,632,576
Authorised but not contracted commitment relating to other property, plant and equipment	<b>3,458,533</b>	2,311,217
Group's share of associate and joint venture companies' expenditure commitments	<b>4,765,802</b>	5,448,072
	<u><b>170,176,510</b></u>	<u>178,648,437</u>

**(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.

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**38 COMMITMENTS AND CONTINGENCIES (continued)**

**(e) Contingencies**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Letters of credit	<u>7,149,301</u>	<u>7,274,382</u>
Letters of guarantees	<u>39,726,919</u>	<u>37,061,035</u>
Liabilities on risk participation	<u>2,270,080</u>	<u>2,449,906</u>
Performance bonds	<u>102,580</u>	<u>15,296</u>
Group's share of guarantees in associates and joint ventures	<u>4,187,311</u>	<u>4,248,891</u>
Group's share of letter of credit in associates and joint ventures	<u>977,522</u>	<u>1,046,882</u>
Third party claim*	<u>633,639</u>	<u>523,202</u>
Acceptances	<u>995,968</u>	<u>995,968</u>

\* 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 of future economic benefits are remote. Accordingly, no liability is recognised in respect of these contingencies.

**(f) Operational commitments**

One of the Group's subsidiaries has operational commitments relating to sales and marketing as at 31 December 2012 of AED 2,176,235 thousand (2011: AED 1,349,361 thousand).

**(g) Irrevocable loan commitments**

The Group's banking operations have irrevocable undrawn loan commitments amounting to AED 11,580,786 thousand outstanding at 31 December 2012 (2011: AED 21,662,663 thousand).

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### 39 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 these transactions 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 entities include transactions in the normal course of business with various utility companies, port authorities and financial institutions. In accordance with the exemption 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:

	<b>31 December 2012</b>				
	<i>Purchase of goods and services</i> <i>AED'000</i>	<i>Sale of goods and services</i> <i>AED'000</i>	<i>Finance income</i> <i>AED'000</i>	<i>Finance costs</i> <i>AED'000</i>	<i>Fee and commission income</i> <i>AED'000</i>
Associates and joint ventures	<u>7,777,736</u>	<u>7,463,408</u>	<u>214,594</u>	<u>87,617</u>	<u>-</u>
Other related parties	<u>230,263</u>	<u>1,042,084</u>	<u>164,945</u>	<u>738,999</u>	<u>46,364</u>
	<b>31 December 2011</b>				
	<i>Purchase of goods and services</i> <i>AED'000</i>	<i>Sale of goods and services</i> <i>AED'000</i>	<i>Finance income</i> <i>AED'000</i>	<i>Finance costs</i> <i>AED'000</i>	<i>Fee and commission income</i> <i>AED'000</i>
Associates and joint ventures	<u>7,348,554</u>	<u>7,058,843</u>	<u>178,048</u>	<u>88,911</u>	<u>-</u>
Other related parties	<u>682,624</u>	<u>3,910,486</u>	<u>273,130</u>	<u>802,858</u>	<u>50,425</u>

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.

b) Amounts due from and due to related parties are disclosed in notes 20, 22, 23, 24, 31, 33, 34, 35 and 36 respectively, details of which are as follows:

	<b>2012</b>		<b>2011</b>	
	<i>Receivables</i> <i>AED'000</i>	<i>Payables</i> <i>AED'000</i>	<i>Receivables</i> <i>AED'000</i>	<i>Payables</i> <i>AED'000</i>
Associates and joint ventures	<u>11,807,925</u>	<u>4,616,422</u>	6,855,149	2,664,040
Government, MOF and other related parties	<u>96,146,799</u>	<u>29,917,575</u>	79,414,875	31,454,196
	<u>107,954,724</u>	<u>34,533,997</u>	<u>86,270,024</u>	<u>34,118,236</u>

Included in "Government, MOF and other related parties", is an amount of AED 520,013 thousand (2011: AED 918,750 thousand) which was provided for during 2011 (see notes 20 and 22). Further, other non current assets includes an amount of AED 1,639,335 thousand (2011: AED 768,114 thousand) as fair value of guarantee from a related party (see note 20).



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**39 RELATED PARTY TRANSACTIONS (continued)**

c) Compensation to key managerial personnel

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Short term benefits	<b>321,766</b>	317,094
End of service benefits	<b>18,355</b>	18,592
Share based payments	<b>4,388</b>	4,028
Directors' fees	<b>20,086</b>	15,061
	<hr/> <b>364,595</b> <hr/>	<hr/> 354,775 <hr/>

Investment Corporation of Dubai and its Subsidiaries

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**40 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 2012:**

	<i>Designated as fair value through profit or loss AED'000</i>	<i>Held to maturity AED'000</i>	<i>Available- for- sale AED'000</i>	<i>Loans and receivables AED'000</i>	<i>Liabilities at amortised cost AED'000</i>	<i>Derivative financial instruments AED'000</i>	<i>Total carrying value AED'000</i>
<b>Financial assets</b>							
<b>Non-derivative financial assets</b>							
Investments in marketable securities (see note 19)	2,031,898	1,227,022	17,464,503	-	-	-	20,723,423
Islamic financing and investment products (see note 23)	-	-	-	32,131,275	-	-	32,131,275
Loans and receivables (see note 24)	-	-	-	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 25)	-	-	-	75,349,962	-	-	75,349,962
<b>Derivative financial assets</b>							
Positive fair value of derivatives (see note 32)	-	-	-	-	-	2,413,666	2,413,666
	<b>2,031,898</b>	<b>1,227,022</b>	<b>17,464,503</b>	<b>337,647,007</b>	<b>-</b>	<b>2,413,666</b>	<b>360,784,096</b>
<b>Financial liabilities</b>							
<b>Non-derivative financial liabilities</b>							
Customer deposits (see note 35)	-	-	-	-	158,082,228	-	158,082,228
Islamic customer deposits (see note 36)	-	-	-	-	32,977,582	-	32,977,582
Borrowings and lease liabilities (see note 31)	-	-	-	-	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 agreement (see note 37)	-	-	-	-	730,873	-	730,873
Trade and other payables	-	-	-	-	37,278,728	-	37,278,728
<b>Derivative financial liabilities</b>							
Negative fair value of derivatives (see note 32)	-	-	-	-	-	3,332,212	3,332,212
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368,425,134</b>	<b>3,332,212</b>	<b>371,757,346</b>

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

Investment Corporation of Dubai and its Subsidiaries

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At 31 December 2012

40 FINANCIAL RISK MANAGEMENT (continued)

31 December 2011:

	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 19)	1,254,770	1,148,466	18,616,037	-	-	-	21,019,273
Islamic financing and investment products (see note 23)	-	-	-	29,212,583	-	-	29,212,583
Loans and receivables (see note 24)	-	-	-	168,798,830	-	-	168,798,830
Other non-current assets	-	-	-	13,985,144	-	-	13,985,144
Trade and other receivables	-	-	-	25,412,777	-	-	25,412,777
Customer acceptances	-	-	-	3,777,759	-	-	3,777,759
Cash and deposits with banks (see note 25)	-	-	-	62,518,095	-	-	62,518,095
Derivative financial assets							
Positive fair value of derivatives (see note 32)	-	-	-	-	-	3,109,074	3,109,074
	1,254,770	1,148,466	18,616,037	303,705,188	-	3,109,074	327,833,535
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits (see note 35)	-	-	-	-	144,351,472	-	144,351,472
Islamic customer deposits (see note 36)	-	-	-	-	36,109,961	-	36,109,961
Borrowings and lease liabilities (see note 31)	-	-	-	-	111,590,729	-	111,590,729
Other non-current payables	-	-	-	-	458,130	-	458,130
Customer acceptances	-	-	-	-	3,777,759	-	3,777,759
Deposits under repurchase agreement (see note 37)	-	-	-	-	2,519,660	-	2,519,660
Trade and other payables	-	-	-	-	23,337,227	-	23,337,227
Derivative financial liabilities							
Negative fair value of derivatives (see note 32)	-	-	-	-	-	3,204,019	3,204,019
	-	-	-	-	322,144,938	3,204,019	325,348,957

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

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### *Risk management framework and processes:*

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 has the overall responsibility and provides the overall risk management direction and oversight.
- The Group's risk appetite is determined by the Executive Committee and approved by the Board of Directors.
- Credit, market, operational and liquidity risks are managed in a coordinated manner within the organisation.

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.

#### *Scope and nature of risk reporting tools:*

The risk management framework enables the Group to identify, assess, manage and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- Credit risk in commercial and consumer lending, collateral coverage ratios, limit utilisations and past due alerts.
- Quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
- Quantification of exposures to losses due to extreme and sudden movements in market prices or rates.

#### *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.

Investment Corporation of Dubai and its Subsidiaries  
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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.1 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, mainly 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) 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.

***Islamic financing and investment products and loans and receivables***

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 Management Credit 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 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, 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 and other credit enhancements***

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly includes cash, charges over real estate properties, inventory and trade receivables.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

***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:

	<i>2012</i>	<i>2011</i>
	<i>AED'000</i>	<i>AED'000</i>
Investments in marketable securities	<b>14,818,663</b>	15,544,602
Other non-current assets	<b>19,810,329</b>	13,985,144
Positive fair value of derivatives	<b>2,413,666</b>	3,109,074
Islamic financing and investment products	<b>32,131,275</b>	29,212,583
Loans and receivables	<b>178,240,450</b>	168,798,830
Trade and other receivables (including due from related parties)	<b>25,813,030</b>	25,412,777
Customer acceptances	<b>6,301,961</b>	3,777,759
Cash and deposits with banks	<b>63,002,782</b>	55,846,823
	<b><u>342,532,156</u></b>	<u>315,687,592</u>

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.1 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 could 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.

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Letters of credit	7,149,301	7,274,382
Letters of guarantees	39,726,919	37,061,035
Liabilities on risk participation	2,270,080	2,449,906
Performance bonds	102,580	15,296
Group's share of guarantees in associates and joint ventures	4,187,311	4,248,891
Group's share of letter of credit in associates and joint ventures	977,522	1,046,882
Third party claim	633,639	523,202
Acceptances	995,968	995,968
Irrevocable undrawn loan commitments	11,580,786	21,662,663
	<u>67,624,106</u>	<u>75,278,225</u>

*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 2012*

	<i>Gross</i> <i>AED'000</i>	<i>Impairment</i> <i>AED'000</i>
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
<b>Total</b>	<u>270,181,957</u>	<u>17,680,365</u>

*31 December 2011*

	<i>Gross</i> <i>AED'000</i>	<i>Impairment</i> <i>AED'000</i>
Neither past due nor impaired	191,780,783	-
Past due but not impaired		
Past due 1 – 90 days	10,638,766	-
Past due 91 – 365 days	4,662,704	-
Past due and impaired	31,130,565	14,232,527
<b>Total</b>	<u>238,212,818</u>	<u>14,232,527</u>

Investment Corporation of Dubai and its Subsidiaries  
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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.1 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 and trade/contract receivables during the year was as follows:

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Balance at the beginning of the year	14,232,527	9,892,227
Arising on acquisition of subsidiaries	77,605	-
Charge during the year – net of recoveries	3,570,361	4,765,281
Amounts written off	(113,705)	(142,289)
Interest unwind on impaired loans and receivables	(86,423)	(106,952)
Arising on transfer of an entity to the Government	-	(175,739)
At 31 December	<u>17,680,365</u>	<u>14,232,527</u>

**40.2 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 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:

<b>Financial liabilities</b>	<i>Carrying amount AED'000</i>	<i>Contractual cash flows AED'000</i>	<i>Less than one year AED'000</i>	<i>More than one year AED'000</i>
<b>31 December 2012</b>				
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 agreement	730,873	735,748	735,748	-
Trade and other payables	38,235,749	38,235,749	38,062,978	172,771
Derivative instruments	3,332,212	3,234,453	849,144	2,385,309
<b>Total</b>	<u>372,714,367</u>	<u>390,931,957</u>	<u>277,044,495</u>	<u>113,887,462</u>

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.2 Liquidity risk (continued)

Financial liabilities	<i>Carrying amount</i> <i>AED'000</i>	<i>Contractual cash flows</i> <i>AED'000</i>	<i>Less than one year</i> <i>AED'000</i>	<i>More than one year</i> <i>AED'000</i>
<i>31 December 2011</i>				
Customer deposits	144,351,472	147,435,191	133,649,493	13,785,698
Islamic customer deposits	36,109,961	36,121,221	31,411,405	4,709,816
Borrowings and lease liabilities	111,590,730	121,957,384	54,887,322	67,070,062
Other non-current payables	458,130	458,130	191,902	266,228
Customer acceptances	3,777,759	3,777,759	3,777,759	-
Deposits under repurchase agreement	2,519,660	2,539,506	1,876,517	662,989
Trade and other payables	23,337,227	23,337,227	23,149,907	187,320
Derivative instruments	3,204,019	3,153,579	2,383,871	769,708
<b>Total</b>	<b>325,348,958</b>	<b>338,779,997</b>	<b>251,328,176</b>	<b>87,451,821</b>

#### 40.3 Market risk

Market risk is the risk that changes in market prices, such as equity prices, commodity prices, interest 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.

##### 40.3.1 Equity price risk

Equity price risk arises from investments in marketable securities designated as either available-for-sale financial assets, held-to-maturity 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 171,848 thousand (2011: AED 164,475 thousand); an equal change in the opposite direction would have decreased the fair value of the quoted securities by AED 171,848 thousand (2011: AED 164,475 thousand). The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5 percent change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	<i>Effect on income statement</i> <i>AED'000</i>	<i>Effect on equity</i> <i>AED'000</i>
<i>31 December 2012</i>		
Effect of changes in quoted equity portfolio of the Group	<b>16,618</b>	<b>171,848</b>
<i>31 December 2011</i>		
Effect of changes in quoted equity portfolio of the Group	12,834	164,475



# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.3.2 Commodity price risk

Certain subsidiaries are exposed to price risk on commodities which include oil (including jet fuel) and aluminium. These subsidiaries manage their exposure to change in oil and aluminium prices by use of commodity derivative instruments (i.e. commodity futures and options) thereby seeking to minimise the potential adverse effects on the Group's financial performance.

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

#### Commodity price risk – sensitivity analysis

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

#### Commodities

	<i>Increase</i>		<i>Decrease</i>	
	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>
<b>31 December 2012</b>				
Aluminium prices (10%)	-	-	-	-
Oil prices (5%)	-	-	20,709	20,709
<b>Total</b>	<b>-</b>	<b>-</b>	<b>20,709</b>	<b>20,709</b>
<b>31 December 2011</b>				
Aluminium prices (10%)	(131,830)	33,541	131,969	16,179
Oil prices (5%)	118,691	171,321	(292,332)	(239,702)
<b>Total</b>	<b>(13,139)</b>	<b>204,862</b>	<b>(160,363)</b>	<b>(223,523)</b>

#### 40.3.3 Interest rate risk

The Group is exposed to interest 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 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 32.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.3.3 Interest rate risk (continued)

##### *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 under the supervision of the Group 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.

The Bank’s risk management ensures that data inputs are adequately specified (commensurate with the nature and complexity of the Bank’s holdings) with regard to rates, maturities, re-pricing, embedded options, and other details to provide a reasonably accurate portrayal of changes in economic value or earnings.

Material changes to assumptions are documented, justified, and approved by the Bank’s ALCO. The Bank’s risk management also ensures that systems assumptions (used to transform positions into cash flows) are reasonable, properly documented, and stable over time.

To assess interest rate risk in the banking book, the Bank applies several concepts and methods. 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.

	<i>31 December 2012</i>		<i>31 December 2011</i>	
	<i>Amount</i>	<i>Variance</i>	<i>Amount</i>	<i>Variance</i>
	<i>AED’000</i>	<i>AED’000</i>	<i>AED’000</i>	<i>AED’000</i>
Rates Up 200 bp	<b>6,706,644</b>	<b>909,754</b>	7,329,097	1,070,197
Base Case	<b>5,796,890</b>	-	6,258,900	-
Rates Down 200 bp	<b>5,359,084</b>	<b>(437,806)</b>	5,328,846	(930,054)

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

To measure and manage interest rate risk and its possible impact on Economic Value of the entity, the 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 ALM Function in Group Finance, and monitored by Group ALCO.

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 Bank has upgraded the 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).

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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.3.3 Interest rate risk (continued)**

**Banking operations (continued)**

The VaR system has been configured to highlight the independent impact of the market risk factors that contributes to total VaR. Thus the Bank 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

**Total Value at Risk**

	<b>2012</b> <b>AED'000</b>	2011 AED'000
Average	<b>6,096</b>	5,692
Minimum	<b>987</b>	1,055
Maximum	<b>15,290</b>	21,115
Balance as at 31 December	<b>3,293</b>	1,123

In the current year, the Group implemented a change in the methodology used for the VaR measure from Monte Carlo VaR methodology (MC VaR) to Historical Simulation methodology VaR (HS VaR). This change in methodology will provide a better ability to understand the sources of market risk for the trading portfolio provide more appropriate stress scenarios and result in better risk management of market risk exposures.

Comparable VAR numbers for 2011 under the two methodologies is reflected in the table below.

**Total Value at Risk**

	<b>2011</b> <b>HS VaR</b> <b>AED'000</b>	2011 MC VaR AED'000
Average	<b>5,692</b>	5,077
Minimum	<b>1,055</b>	72
Maximum	<b>21,115</b>	22,236
Balance as at 31 December	<b>1,123</b>	3,546

**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.

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40 FINANCIAL RISK MANAGEMENT (continued)

40.3.3 Interest rate risk (continued)

*Non-banking operations (continued)*

	<i>Effect on profit on increase of 100 bp AED'000</i>
<b>31 December 2012</b>	<b>194,336</b>
<b>31 December 2011</b>	<b>(312,276)</b>

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

40.3.4 Currency risk

*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.

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

	<i>Average rate AED</i>	<i>Reporting rate (spot rate) AED</i>
<b>31 December 2012</b>		
SGD	2.94	3.00
GBP	5.82	5.93
EURO	4.72	4.85
	<u>          </u>	<u>          </u>
	<i>Average rate AED</i>	<i>Reporting rate (spot rate) AED</i>
<b>31 December 2011</b>		
SGD	2.92	2.83
GBP	5.89	5.68
EURO	5.11	4.76
	<u>          </u>	<u>          </u>

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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.3.4 Currency risk (continued)**

**Currency rate risk - sensitivity analysis**

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

<i>31 December 2012</i>	<i>Equity AED'000</i>	<i>Income statement AED'000</i>
SGD	46,252	45,200
GBP	67,125	(10,313)
EURO	102,381	(52,298)
<i>31 December 2011</i>	<i>Equity AED'000</i>	<i>Income statement AED'000</i>
SGD	43,212	43,212
GBP	(409,013)	(4,622)
EURO	31,835	(61,712)
INR	-	(11)

**40.4 Capital management**

**40.4.1 Capital management (banking operations)**

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

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.

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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.4 Capital management (continued)**

**40.4.1 Capital management (banking operations)**

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

	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
<b><u>Tier I Capital</u></b>		
Issued capital	5,557,775	5,557,775
Share premium reserve	12,270,124	12,270,124
Legal and statutory reserve	2,706,815	2,451,405
Other reserves	2,864,740	2,869,533
Retained earnings	8,505,205	7,587,509
Tier I Capital notes	4,000,000	4,000,000
Non-controlling interests	46,269	46,280
	<hr/>	<hr/>
Total tier I Capital	35,950,928	34,782,626
Less: Goodwill and intangibles	(5,751,018)	(5,831,018)
Less: Treasury shares	(46,175)	(46,175)
	<hr/>	<hr/>
Total	30,153,735	28,905,433
<b><u>Tier II Capital</u></b>		
Undisclosed reserves / general provisions	3,600,001	3,751,933
Cumulative changes in fair value	267,220	110,071
Hybrid (debt / equity) capital instruments	10,067,372	12,584,215
Subordinated debt	1,804,374	1,837,136
	<hr/>	<hr/>
Total	15,738,967	18,283,355
	<hr/>	<hr/>
Of which: Eligible tier II capital	14,864,988	16,686,640
	<hr/>	<hr/>
Total regulatory capital	45,018,723	45,592,073
	<hr/> <hr/>	<hr/> <hr/>
<b>RISK WEIGHTED EXPOSURE</b>		
	<i>2012</i> <i>AED'000</i>	<i>2011</i> <i>AED'000</i>
Credit risk	201,959,491	206,506,517
Market risk	2,326,786	1,548,801
Operational risk	13,795,458	14,019,747
	<hr/>	<hr/>
Total	218,081,735	222,075,065
	<hr/> <hr/>	<hr/> <hr/>
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	20.64%	20.53%
Total tier I capital as a percentage of total risk weighted assets	13.83%	13.02%

**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.4 Capital management (continued)**

**40.4.1 Capital management (banking operations) (continued)**

The Group's banking subsidiary adheres to the regulations set out by the Central Bank of the UAE which has reconfirmed the requirements in relation to Basel II / Pillar 2 in its circular 27/2009, dated 17 November 2009. Further, the Group's banking subsidiary is an active member in the CBUAE Emirates Banks Association's Committee on Basel and Accounts.

According to the guidelines issued by the Central Bank of the UAE, all banks have to prepare a forward-looking capital adequacy assessment and to submit a comprehensive report annually. Whilst 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 base-case assumptions, reflecting the Bank's current financial budget and business expectations under conservative business as usual conditions.

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, especially with a focus on Credit risk, risk concentrations and correlations.

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 Economic Capital demand is based on a set of models, with:

- Credit risk – Monte-Carlo simulation based Portfolio Model for credit Value at Risk,
- Market risk – Market Value at Risk complemented by Basel II / standardised approach,
- Operational risk – Basel II / standardised approach,
- Business risk – volatility driven parametric Value at Risk, and
- Interest rate risk / Banking book – Net interest income volatility model (complementary to PV01).

The credit risk quantification model is predominantly based on Basel II compliant internal Ratings and incorporates the relevant correlations and inherent concentration levels. The aggregated capital demand across risk types is the result of a Gaussian Copula model, recognising the importance of Islamic finance, the models employed have also been built to address the specific parameters of such portfolios.

**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.4.1 Capital management (banking operations) (continued)**

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. Furthermore the outcomes support the development and adjustment of the Bank's contingency plans and planning.

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.

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; in order to minimise its Model Risk arising from complex capital and funding modelling.

The Group's banking subsidiary 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 banking subsidiary of the Group; further the banking subsidiary of the Group has no recourse to the assets of the funds. Third party funds managed by the banking subsidiary of the Group were AED 5,408 million at 31 December 2012 (2011: AED 4,652 million).

**40.4.2 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 and makes adjustments to it in light of changes in business conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings aggregating to AED 110,287,453 thousand as at 31 December 2012 (2011: AED 97,624,789 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.



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### 41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

#### SUBSIDIARIES:

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of ICD</b>				
Emirates NBD PJSC	<b>55.64%</b>	55.64%	UAE	Banking
Dubai Aluminium	<b>100.00%</b>	100.00%	UAE	Aluminium smelter
Emirates National Oil Co. Limited (ENOC) LLC	<b>100.00%</b>	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)	<b>100.00%</b>	100.00%	UAE	Management of Dubai World Trade Centre Complex
Cleveland Bridge and Engineering Middle East (Private) Limited	<b>51.00%</b>	51.00%	UAE	Contracting for designing, industrial and commercial structures
Emirates	<b>100.00%</b>	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	<b>100.00%</b>	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

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41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Borse Dubai Limited	<b>89.72%</b>	79.43%	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	<b>100.00%</b>	100.00%	UAE	Management of real estate
Iceberg Limited	<b>100.00%</b>	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Pelegen LLC	<b>100.00%</b>	100.00%	UAE	Engage in real estate management services
Solidity LLC	<b>100.00%</b>	100.00%	UAE	Special purpose vehicle for holding investments
Unity LLC	<b>100.00%</b>	100.00%	UAE	Special purpose vehicle for unregulated proprietary transactions relating to financial instruments including derivatives
Iceberg 2 Limited	<b>100.00%</b>	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Aswaaq LLC	<b>99.00%</b>	99.00%	UAE	Retail trading
Emaratech (Emarat Technology Solutions) FZ LLC	<b>100.00%</b>	100.00%	UAE	Information technology services for DNRD
Golf in Dubai LLC	<b>99.00%</b>	99.00%	UAE	Management of Golf events
Dubai Duty Free	<b>100.00%</b>	100.00%	UAE	Duty Free operations at airports
Dubai Silicon Oasis Authority	<b>100.00%</b>	100.00%	UAE	Property related operations
Dubai Airport Freezone Authority	<b>100.00%</b>	100.00%	UAE	Property related operations
Deira Waterfront Development LLC	<b>100.00%</b>	100.00%	UAE	Property development management
National Bond Corporation PJSC	<b>100.00%</b>	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.

# Investment Corporation of Dubai and its Subsidiaries

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### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Dubai Aerospace Enterprises (see note 41.1)	<b>68.36%</b>	-	UAE	Aviation services, Aircraft leasing and financing services.
D Clear Europe Ltd (see note 41.2)	<b>100.00%</b>	-	UK	Development, distribution and service of its transaction lifecycle Management Software products and Data Management services.
<b>List of subsidiaries of Emirates NBD PJSC</b>				
Buzz Contact Centre Solutions LLC	<b>100.00%</b>	100.00%	UAE	Call centre management services
Diners Club (UAE) LLC	<b>100.00%</b>	100.00%	UAE	International charge card
Dubai Bank PJSC	<b>100.00%</b>	100.00%	UAE	Islamic Banking
E.T.F.S. LLC	<b>100.00%</b>	100.00%	UAE	Trade finance services
Emirates Financial Services PSC	<b>100.00%</b>	100.00%	UAE	Fund management
Emirates Funds Managers (Jersey) Limited	<b>100.00%</b>	100.00%	Jersey - UK	Asset management
Emirates Loyalty Company LLC (under liquidation)	<b>100.00%</b>	100.00%	UAE	Customer loyalty smart card services
Emirates NBD Global Funding Limited	<b>100.00%</b>	100.00%	Cayman Island	Medium term borrowing and money market transactions
Emirates NBD Asset Management Ltd. (formerly known as Emirates Investment Services Ltd)	<b>100.00%</b>	100.00%	UAE	Asset management
Emirates Islamic Bank PJSC	<b>99.80%</b>	99.80%	UAE	Islamic Banking
Emirates NBD Trust Company (Jersey) Limited	<b>100.00%</b>	100.00%	Jersey - UK	Trust administration services
Emirates NBD Securities LLC (formerly known as NBD Securities LLC)	<b>100.00%</b>	100.00%	UAE	Brokerage services
Emirates NBD Properties LLC	<b>100.00%</b>	100.00%	UAE	Real estate
Emirates Money Consumer Finance LLC	<b>100.00%</b>	100.00%	UAE	Consumer finance
Emirates Fund LLC	<b>100.00%</b>	100.00%	UAE	Assets Management
Emirates NBD Capital (KSA) LLC	<b>100.00%</b>	100.00%	KSA	Investment services
Tanfeeth LLC	<b>100.00%</b>	100.00%	UAE	Shared services organisation
KSA Mortgage	<b>100.00%</b>	-	KSA	Nominee Company for Mortgage Business

# Investment Corporation of Dubai and its Subsidiaries

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### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of National Bonds Corporation PJSC</b>				
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	Utilities management
<b>List of subsidiaries of Dubai Aluminium</b>				
Dubal America Inc.	100.00%	100.00%	USA	Aluminium supply
Dubal Smelter Development FZE	-	100.00%	UAE	Aluminium supply
Dubal Korea Limited	100.00%	100.00%	Korea	Aluminium supply
Dubal Europe AG Subsidiary of Dubal Europe AG	100.00%	100.00%	Switzerland	Aluminium supply
Dubal EU Imports S.R.L.	100.00%	100.00%	Italy	Aluminium supply
<b>List of subsidiaries of Borse Dubai Limited</b>				
Dubai Financial Market PJSC (DFM)	79.70%	79.70%	UAE	Electronic Financial Market
Nasdaq Dubai Limited (NASDAQ Dubai)	86.45%	86.45%	UAE	Electronic Financial Market
<b>List of subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC</b>				
Dubai Natural Gas Company Limited	100.00%	100.00%	UAE	Production of MTBE, propane, butane and heavier NGL
Emirates Gas LLC	100.00%	100.00%	UAE	Supply of LP Gas, propane and Aerosol Propellants
Emirates National Oil Company (Singapore) Private Limited	100.00%	100.00%	Singapore	Wholesale trading in all petroleum products
ENOC International Sales LLC	100.00%	100.00%	UAE	Marketing and selling of oil
ENOC Processing Company LLC	100.00%	100.00%	UAE	Condensate processing
ENOC Properties LLC	100.00%	100.00%	UAE	Real estate
ENOC Supply and Trading LLC	100.00%	100.00%	UAE	Oil development and trading.
Emirates Petroleum Products Company LLC.	100.00%	100.00%	UAE	Retail trading of oil
Global Technology Services LLC	100.00%	100.00%	UAE	IT Consulting and Implementation services
Horizons Terminals Limited	100.00%	100.00%	Bahamas	Storing bulk liquid oil products, drumming facilities, blending
Horizon Jebel Ali Terminals Limited	100.00%	100.00%	Bahamas	Terminalling and storage
Cylingas Company LLC	100.00%	100.00%	UAE	Designs, fabricates and supplies LPG cylinders
Dragon Oil Plc	54.20%	51.90%	Ireland	Oil development and production

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### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC (continued)</b>				
Horizon Singapore Terminals Private Limited	52.00%	52.00%	Singapore	Terminalling and storage
ENOC Fuel Supply Company LLC	100.00%	100.00%	UAE	Retail trading of oil
ENOC Commercial & distribution LLC	100.00%	100.00%	UAE	Retail trading of oil
ENOC Lubricants & grease manufacturing plant LLC	100.00%	100.00%	UAE	Trading of oil and other services
<b>List of subsidiaries of Emaratech (Emarat Technology Solutions) FZ LLC</b>				
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	100.00%	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport
Emirates Real Estate Services	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.
<b>List of subsidiaries of Dubai Airport Freezone Authority</b>				
DAFZA Investments FZE	100.00%	100.00%	UAE	Investment company.
DAFZA Economics & Free Zone Management FZE	100.00%	100.00%	UAE	Managing economic and free zone.
<b>List of subsidiaries of Dubai Silicon Oasis Authority</b>				
Dubai Silicon Oasis Inc.	100.00%	100.00%	USA	Sales and marketing
Dubai Circuit Design FZE	100.00%	100.00%	UAE	Semiconductor 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%	-	UAE	Incubation Center

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41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Emirates</b>				
Maritime & Mercantile International Holding LLC	100.00%	100.00%	UAE	Holding Company
Maritime & Mercantile International LLC	68.70%	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail LLC	68.70%	68.70%	UAE	Food and beverage operations
Emirates Leisure Retail Holding LLC	100.00%	100.00%	UAE	Holding company
Emirates Hotel LLC	100.00%	100.00%	UAE	Hotel operations
Emirates Hotel (Australia) Pty Ltd.	100.00%	100.00%	Australia	Hotel operations
Emirates Flight Catering Company LLC	90.00%	90.00%	UAE	Catering services to airlines
Emirates Leisure Retail (Oman) LLC	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
<b>List of subsidiaries of Dnata</b>				
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	Investment company
Maritime and Mercantile International Travel LLC	100.00%	100.00%	UAE	Travel agency
Dnata GmbH	100.00%	100.00%	Austria	Investment company
Dnata Switzerland AG	100.00%	100.00%	Switzerland	Aircraft handling services
Al Hidayat Travel WLL	100.00%	90.00%	Bahrain	Travel agency
Cleopatra International Travel WLL	100.00%	90.00%	Bahrain	Travel agency
Dnata Aviation Services Ltd.	100.00%	100.00%	UK	Investment company
Mercator Asia 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	Investment 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
Alpha Flight Services Pty Ltd.	100.00%	100.00%	Australia	In-flight catering
Alpha Flight Services BV	100.00%	100.00%	Netherland	In-flight catering
Alpha Flight Ireland Limited	-	100.00%	Ireland	In-flight catering
Alpha Airport Services EOOD	100.00%	100.00%	Bulgaria	In-flight catering

Investment Corporation of Dubai and its Subsidiaries  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 At 31 December 2012

**41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)**

**SUBSIDIARIES: (continued)**

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Dnata (continued)</b>				
Dnata Singapore Ltd.	<b>100.00%</b>	100.00%	Singapore	Aircraft handling and catering services
DWT International Private Limited	<b>100.00%</b>	100.00%	India	Travel agency
Dnata World Travel Limited	<b>75.00%</b>	75.00%	UK	Holding company
Alpha Flight US LLC	<b>100.00%</b>	100.00%	USA	In-flight catering
Alpha Rocas SA	<b>64.20%</b>	64.20%	Romania	In-flight catering
Alpha Flight Services UAE	<b>49.00%</b>	49.00%	UAE	In-flight catering
Jordan Flight Catering Company Ltd	<b>35.90%</b>	35.90%	Jordan	In-flight catering
Enroute International Ltd. (see note 41.3)	<b>80.00%</b>	-	UK	Bakery and packaged food solutions
<b>List of subsidiaries of Dubai World Trade Centre (LLC)</b>				
Novotel World Trade Centre LLC	<b>100.00%</b>	100.00%	UAE	Hotel management
Ibis World Trade Centre LLC	<b>100.00%</b>	100.00%	UAE	Hotel management
Wisma Development Pte Limited (under liquidation)	<b>100.00%</b>	100.00%	Singapore	Property management
Surge Capital Pte Limited (under liquidation)	<b>100.00%</b>	100.00%	Singapore	Investment Company

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

##### List of subsidiaries of D-Clear Europe Limited (see note 41.2)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
SmartStream Technologies Group Limited	100.00%	-	UK	Holding Company
SmartStream Funding Limited	100.00%	-	UK	Holding Company
SmartStream Acquisitions Limited	100.00%	-	UK	Holding Company
SmartStream Technologies Holdings Limited	100.00%	-	UK	Holding Company
SmartStream Technologies Limited	100.00%	-	UK	Software Company
SBS International Holdings Limited	100.00%	-	UK	Holding company
SmartStream Technologies GmbH	100.00%	-	Austria	Software Company
SmartStream Technologies (Deutschland) GmbH	100.00%	-	Germany	Software Company
SmartStream Technologies Schweiz GmbH	100.00%	-	Switzerland	Software Company
SmartStream Technologies France S.A	100.00%	-	France	Software Company
SmartStream Technologies Iberia SL	100.00%	-	Spain	Software Company
SmartStream Technologies Benelux-Nordic N:V	100.00%	-	Belgium	Software Company
SmartStream Technologies Italia Srl	100.00%	-	Italy	Software Company
SmartStream Technologies (Asia Pacific) Pte. Ltd	100.00%	-	Singapore	Software Company
SmartStream Technologies Inc.	100.00%	-	USA	Software Company
African Management Data Pty. Ltd	100.00%	-	South Africa	Software Company
Smart Stream Technologies Australia Pty. Ltd	100.00%	-	Australia	Software Company
SmartStream Technologies Luxembourg S.A.	100.00%	-	Luxembourg	Software Company
SmartStream Technologies India Private Ltd	100.00%	-	India	Software Company
SmartStream Technologies (Dubai) LLC	100.00%	-	Dubai	Software Company
SmartStream Technologies (Beijing) Co Ltd	100.00%	-	China	Software Company



# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Dubai Aerospace Enterprise (DAE) Limited (see note 41.1)</b>				
Associated Air Center, L.P.	100.00%	-	USA	Holding Company
DAE Aviations Holdings Inc.	97.90%	-	USA	Holding Company
DAE Hungary	100.00%	-	Hungary	Holding Company
DAE U.S. II, Inc.	99.9%	-	USA	Parent Company; consolidates results of all subsidiaries below
DAE U.S., Inc.	100.00%	-	USA	Interior completions for large private aircraft
Standard Aero (Alliance) Inc.	100.00%	-	USA	Provides maintenance, repair and overhaul (MRO) services – Military and regional aviation market
Standard Aero (Asia) PTE Ltd	100.00%	-	Asia	Provides MRO services – business aviation markets
Standard Aero (Australia) PTY Ltd	100.00%	-	Australia	Provides MRO services – military and general aviation markets
Standard Aero (San Antonio) Inc.	100.00%	-	USA	Provides MRO services – aviation market
Standard Aero Business Aviation Services, LLC	100.00%	-	USA	Provides MRO services – primarily business jet aviation market
Standard Aero BV	100.00%	-	Netherlands	Service centre for Pratt & Whitney turnoprop aircraft engines
Standard Aero de Mexico S.A de C.V	100.00%	-	Mexico	Service centra
Standard Aero Limited	100.00%	-	Canada	Provides MRO services – business, regional and military aviation markets.
Standard Aero Redesign Services Inc.	100.00%	-	USA	Provides aircraft operational solutions for business and military organisations Engine and airframe component repairs for models serviced
TSS Aviation Inc.	100.00%	-	USA	

#### ASSOCIATES:

##### List of associates of ICD

Emaar Properties PJSC	29.38%	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	29.80%	29.80%	UAE	Banking
Commercial Bank of Dubai	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.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### ASSOCIATES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Emirates Investment & Development PSC	<b>27.92%</b>	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	<b>25.00%</b>	25.00%	UAE	Real estate development
HSBC Middle East Finance Company Limited	<b>20.00%</b>	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment.
Emirates Refreshments Company	<b>20.00%</b>	20.00%	UAE	Bottling and selling mineral water as well as manufacturing plastic packs and bottles
Noor Investment Group	<b>25.00%</b>	25.00%	UAE	Investment company
Dubai Aerospace Enterprise*	-	51.40%	UAE	Aviation Services, Aircraft leasing and financing services ( It is a subsidiary now)

\*Is treated as an investment in subsidiary as at 31 December 2012

#### List of associates of Emirates NBD PJSC

Union Properties PJSC	<b>47.60%</b>	47.60%	UAE	Real estate
National General Insurance Co. PSC	<b>36.70%</b>	36.70%	UAE	General and life insurance

#### List of associates of Dubai Aluminium

Guniea Aluminium Corporation BVI	<b>25.00%</b>	25.00%	British Virgin Islands	Aluminium products
Dubai Carbon Centre for Excellence	<b>25.00%</b>	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

United Gulf Aircraft Fuelling Co. LLC	<b>49.00%</b>	49.00%	KSA	Aviation fuel marketing
Horizon Djibouti Terminals Ltd	<b>40.00%</b>	40.00%	Djibouti	Terminalling and storage
Arabtank Terminals Ltd	<b>37.00%</b>	37.00%	KSA	Terminalling and storage
Gulf Energy Maritime (GEM) PJSC	<b>35.50%</b>	35.00%	UAE	Bunkering and oil related shipping activities
Vopak Horizon Fujairah Ltd (VHFL)	<b>33.00%</b>	33.00%	Gibraltar	Bunkering and oil related shipping activities

#### List of associates of Dnata

Dubai Express LLC	<b>50.00%</b>	50.00%	UAE	Freight clearing and forwarding
Gerry's Dnata (Private) Ltd	<b>50.00%</b>	50.00%	Pakistan	Aircraft handling services
MindPearl AG	<b>49.00%</b>	49.00%	Switzerland	Contract centre operation
MindPearl South Africa Pty Ltd.	<b>49.00%</b>	49.00%	South Africa	Contract centre operation

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

**41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)**

**ASSOCIATES: (continued)**

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of associates of Dnata (continued)</b>				
Hogg Robinson Group Plc	<b>22.40%</b>	22.40%	UK	Corporate travel services
Oman United Agency Travel LLC	<b>50.00%</b>	50.00%	Oman	Corporate travel services
Guangzhou Baiyn International Airport Ground Handling Services Company Ltd.	<b>20.00%</b>	20.00%	China	Aircraft handling
<b>List of associates of Borse Dubai Limited</b>				
Nasdaq OMX Group Inc. (see note 41.4)	<b>17.98%</b>	17.16%	USA	Stock Exchange
London Stock Exchange plc.	<b>20.65%</b>	20.65%	UK	Stock Exchange
<b>List of associates of Dubai Silicon Oasis Authority</b>				
German Business Park FZCO	<b>32.00%</b>	32.00%	UAE	Mixed use property development
<b>List of associates of National Bonds Corporation PJSC</b>				
Souk Extra	<b>13.07%</b>	13.07%	UAE	Community shopping centres
<b>JOINT VENTURES:</b>				
	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of Joint Venture of ICD</b>				
Dubai Cable Company (Private) Limited	<b>50.00%</b>	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables.
<b>List of Joint Ventures of Emirates NBD PJSC</b>				
Network International LLC	<b>51.00%</b>	51.00%	UAE	Card processing services
<b>List of joint ventures of Dubai Aluminium</b>				
Emirates Aluminium Company Ltd	<b>50.00%</b>	50.00%	UAE	Aluminium smelters
Emirates Aluminium International	<b>50.00%</b>	50.00%	Cayman Island	Investment Company
Hydromine Global Minerals GmbH Limited	<b>45.00%</b>	45.00%	Cameroon	Minerals trader
Raykal Aluminium Company Private Ltd	-	20.00%	India	Aluminium Smelters.
<b>List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC</b>				
EPPCO International Ltd	<b>50.00%</b>	50.00%	Bahamas	Marketing of petroleum products and retailing at service stations

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### JOINT VENTURES: (continued)

	<i>Ownership interest 2012</i>	<i>Ownership interest 2011</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC (continued)</b>				
Horizon Taeyoung Korea Terminals Ltd.	<b>50.00%</b>	50.00%	South Korea	Terminalling and storage
EPPCO Projects LLC	<b>51.00%</b>	51.00%	UAE	Operation of EPPCO Aviation and EPPCO Lubricants.
Dubai Carbon Centre for Excellence	<b>25.00%</b>	25.00%	UAE	Consultancy on renewable energy, carbon control system and carbon credit rating
<b>List of joint ventures of Dnata</b>				
PAL PAN Airport Logistics LLC (formerly known as Dnata – PWC Airport Logistics LLC)	<b>50.00%</b>	50.00%	UAE	Logistics services
Transguard Group LLC *	<b>100.00%</b>	100.00%	UAE	Security services
Toll Dnata Airport Services	<b>50.00%</b>	50.00%	Australia	Aircraft handling services
Dunya Travel LLC	<b>50.00%</b>	50.00%	UAE	Travel agency
SDV (UAE) LLC	<b>25.50%</b>	25.50%	UAE	Logistics services
Najm Travel	<b>50.00%</b>	50.00%	Afghanistan	Travel agency
Al Tawfeeq Travels LLC	<b>50.00%</b>	50.00%	Qatar	Travel agency
Servair Air Chef SRL	<b>50.00%</b>	50.00%	Italy	In-flight catering services
Dnata Travel Limited	<b>70.00%</b>	70.00%	KSA	Travel agency
Wings Inflight Services (Pty) Ltd.	<b>50.00%</b>	50.00%	South Africa	In-flight catering services

\* The beneficial interest is 50% and is subject to joint control

#### List of joint ventures of Emirates

Emirates-CAE Flight Training LLC	<b>50.00%</b>	50.00%	UAE	Flight simulator training
Premier Inn Hotels LLC	<b>51.00%</b>	51.00%	UAE	Hotel operations
CAE Flight Training (India) Pvt. Ltd	<b>50.00%</b>	50.00%	UAE	Flight simulator training
CAE Middle East Holdings Limited	<b>50.00%</b>	50.00%	UAE	Holding company
Independent Wine and Spirit (Thailand) Company Limited	<b>49.00%</b>	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.

41.1 During the year, the Group has acquired additional stake in Dubai Aerospace Enterprise converting it into a subsidiary from an associate (see note 13).

41.2 During the year, the Group has acquired D-Clear Europe Limited as subsidiary (see note 13).

41.3 During the year, one of the Group's subsidiaries acquired Enroute International Limited, an indirect subsidiary (see note 13).

41.4 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 18(d)).

## Investment Corporation of Dubai and its Subsidiaries

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2012

#### 42 SUBSEQUENT EVENTS

- 1) Subsequent to the year end, one of the Group's indirect subsidiaries signed an agreement with the existing customer for the sale of all its export volumes until 31 December 2014.
- 2) Subsequent to the year end, ICD entered into Islamic and conventional financing facilities amounting to USD 2.55 billion with three agents to refinance Tranche B of 2008 syndicated loan facility, amounting to USD 2 billion which is repayable in August 2013.
- 3) Subsequent to the year end, the Group has entered into a Joint Venture agreement. This will result in a change in the Group's ownership in a significant entity. The formation of the new entity is under progress.

**Investment Corporation of Dubai  
and its subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

## 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 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and 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*

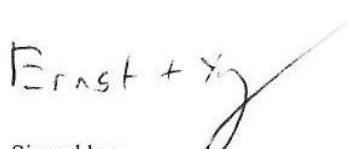
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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

13 June 2012

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	<i>Notes</i>	<i>2011 AED'000</i>	<i>2010 AED'000</i>
<b>Continuing operations</b>			
Revenues	3	<b>142,351,358</b>	120,152,489
Cost of revenues	4	<b>(112,389,914)</b>	(90,537,623)
		<b>29,961,444</b>	29,614,866
Other income	5	<b>4,342,016</b>	3,916,356
Gain on disposal of stake in an indirect subsidiary and fair value gain on retained interest in joint venture	26	<b>1,812,799</b>	-
Net gain from derivative instruments	6	<b>206,411</b>	2,538,132
General, administrative and other expenses		<b>(14,176,656)</b>	(11,724,702)
Net impairment losses on financial assets	7	<b>(6,352,789)</b>	(5,130,494)
Other finance income	8	<b>1,110,746</b>	1,176,681
Other finance costs	9	<b>(2,200,586)</b>	(2,349,615)
Gain / (loss) in respect of associates and joint ventures	18	<b>2,498,223</b>	(2,052,057)
<b>PROFIT FOR THE YEAR BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>		<b>17,201,608</b>	15,989,167
Income tax expense	10	<b>(992,868)</b>	(613,029)
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>16,208,740</b>	15,376,138
<b>Discontinued operations</b>			
Profit for the period from discontinued operation	12(a)	<b>679,874</b>	1,305,689
<b>PROFIT FOR THE YEAR</b>	11	<b>16,888,614</b>	16,681,827
<b>Attributable to:</b>			
The equity holder of ICD		<b>14,406,611</b>	15,362,502
Non-controlling interests		<b>2,482,003</b>	1,319,325
		<b>16,888,614</b>	16,681,827

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



Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>16,888,614</b>	16,681,827
<b>Other comprehensive income</b>		
Net movement in fair value of available-for-sale investments and cash flow hedges	<b>441,554</b>	555,672
Foreign currency translation differences	<b>(50,615)</b>	124,181
Group's share in other equity movements of equity accounted investees	<b>(358,408)</b>	159,116
Other movements	<b>(7,531)</b>	143
<b>Other comprehensive income for the year</b>	<b>25,000</b>	839,112
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>16,913,614</b>	17,520,939
<b>Attributable to:</b>		
The equity holder of ICD	<b>14,365,264</b>	15,823,160
Non-controlling interests	<b>2,548,350</b>	1,697,779
	<b>16,913,614</b>	17,520,939

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	77,346,609	87,271,604
Intangible assets	15	14,006,686	13,611,930
Investment properties	16	7,258,944	149,519,337
Development properties	17	295,909	2,036,666
Investments in associates and joint ventures	18	30,146,739	27,721,129
Investments in marketable securities	19	17,159,915	15,452,097
Other non-current assets	20	14,517,524	16,790,900
Islamic financing and investment products	23	16,622,589	11,787,098
Loans and receivables	24	76,348,007	80,888,516
Cash and deposits with banks	25	1,925,820	18,357
Positive fair value of derivatives	32	1,909,086	1,867,466
Deferred tax asset	10	26,916	18,219
		<u>257,564,744</u>	<u>406,983,319</u>
<b>Current assets</b>			
Investments in marketable securities	19	3,859,358	4,995,724
Inventories	21	9,636,445	7,866,376
Trade and other receivables	22	26,890,068	20,240,889
Islamic financing and investment products	23	12,589,994	7,984,506
Loans and receivables	24	92,450,823	88,842,620
Cash and deposits with banks	25	60,592,275	76,592,551
Positive fair value of derivatives	32	1,199,988	1,185,773
Customer acceptances		3,777,759	4,632,810
		<u>210,996,710</u>	<u>212,341,249</u>
Assets classified as held for sale	26	-	827,829
		<u>210,996,710</u>	<u>213,169,078</u>
<b>TOTAL ASSETS</b>		<u><u>468,561,454</u></u>	<u><u>620,152,397</u></u>

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


Investment Corporation of Dubai and its subsidiaries


CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to the equity holder of ICD</b>			
Capital	27	64,253,449	224,394,919
Retained earnings		28,453,510	19,587,734
Other reserves	29	12,544,895	12,384,376
		<u>105,251,854</u>	<u>256,367,029</u>
<b>Non-controlling interests</b>		<b>22,550,123</b>	<b>20,983,137</b>
		<u>127,801,977</u>	<u>277,350,166</u>
<b>Total equity</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits	30	1,156,033	1,093,714
Borrowings and lease liabilities	31	59,308,608	65,383,974
Negative fair value of derivatives	32	2,728,544	2,601,409
Other non-current payables	33	3,043,583	2,666,196
Customer deposits	35	11,907,440	12,279,365
Islamic customer deposits	36	4,709,500	5,100,148
Deferred tax liability	10	633,190	483,999
		<u>83,486,898</u>	<u>89,608,805</u>
<b>Current liabilities</b>			
Employees' end of service benefits	30	831	1,179
Borrowings and lease liabilities	31	52,282,121	53,713,653
Negative fair value of derivatives	32	475,475	543,846
Trade and other payables	34	33,417,459	33,859,701
Customer deposits	35	132,444,032	127,683,740
Islamic customer deposits	36	31,400,461	30,797,517
Deposits under repurchase agreements	37	2,519,660	892,309
Current income tax liability		940,444	584,954
Customer acceptances		3,777,759	4,632,810
Deferred tax liability	10	14,337	-
		<u>257,272,579</u>	<u>252,709,709</u>
Liabilities directly associated with assets classified as held for sale	26	-	483,717
		<u>257,272,579</u>	<u>253,193,426</u>
<b>Total liabilities</b>		<b>340,759,477</b>	<b>342,802,231</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>468,561,454</b>	<b>620,152,397</b>

The consolidated financial statements were approved by the Board of Directors on 13 June 2012, and signed on their behalf by:

  
.....  
Director

  
.....  
Director

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

# Investment Corporation of Dubai and its subsidiaries

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax from continuing operations		<b>17,201,608</b>	15,989,167
Profit before tax from discontinued operations		<b>679,874</b>	1,305,689
		<b>17,881,482</b>	17,294,856
Adjustments for:			
Depreciation and impairment on property, plant and equipment, investment properties and development properties	11	<b>7,867,983</b>	6,895,493
Impairment allowance on loans and receivables	24	<b>4,130,568</b>	2,563,702
Impairment allowance on Islamic financing and investment products	23	<b>564,166</b>	283,319
Amortisation and impairment of intangible assets	11	<b>355,931</b>	316,909
Gain on disposal of property, plant and equipment, investment properties, intangible assets and sale and leaseback of aircraft	5	<b>(241,577)</b>	(563,505)
Fair value (gain) / loss on investment securities	19	<b>(13,441)</b>	60,357
Impairment loss on available-for-sale investments	7	<b>812,719</b>	309,725
Operating and other finance income		<b>(12,081,077)</b>	(13,438,775)
Operating and other finance costs		<b>5,783,871</b>	7,381,197
Net gain in respect of associates and joint ventures	18	<b>(2,498,223)</b>	(1,316,837)
Provision for employees' end of service benefits	30	<b>671,392</b>	557,343
Impairment loss on investment in associate and joint venture	18	<b>756,954</b>	875,871
Loss on disposal of associate and joint ventures	18	<b>-</b>	3,368,894
Gain on disposal of 49% stake in an indirect subsidiary classified as held for sale		<b>(956,581)</b>	-
Fair value gain on retained interest in an indirect subsidiary		<b>(856,218)</b>	-
		<b>22,177,949</b>	24,588,549
Working capital changes:			
Inventories		<b>(553,865)</b>	(640,140)
Trade and other receivables		<b>(7,873,111)</b>	938,009
Trade and other payables		<b>802,043</b>	2,431,424
Loans and receivables		<b>(3,198,262)</b>	12,881,322
Statutory deposits (banking operations)		<b>17,809,601</b>	(18,728,261)
Deposits with banks with original maturity over three months (banking operations)		<b>(2,777,969)</b>	85,766
Customer deposits including Islamic customer deposits		<b>(7,904,337)</b>	14,012,947
Fair value of derivatives		<b>2,929</b>	(2,074,618)
Islamic financing and investment products with original maturity over three months		<b>54,850</b>	2,678,313
Other non-current assets		<b>3,904,664</b>	(4,831,008)
Other non-current payables		<b>189,387</b>	239,297
Net cash from operations		<b>22,633,879</b>	31,581,600
Employees' end of service benefits paid	30	<b>(552,593)</b>	(491,669)
Taxes paid		<b>(516,884)</b>	(410,449)
Operating finance income received		<b>10,970,331</b>	12,205,318
Operating finance costs paid		<b>(3,583,285)</b>	(5,005,908)
Exchange translation reserve and other movements		<b>(59,286)</b>	236,577
Net cash generated from operating activities		<b>28,892,162</b>	38,115,469

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED CASH FLOW STATEMENT (continued)

Year ended 31 December 2011

	<i>Notes</i>	<b>2011</b> <b>AED'000</b>	<b>2010</b> <b>AED'000</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment, intangible assets, investment properties and development properties		<b>(11,186,977)</b>	(10,296,830)
Proceeds from disposal of property, plant and equipment, intangible assets, investment properties, development properties and sale and leaseback		<b>1,280,066</b>	3,476,812
On acquisition of subsidiaries		<b>(200,000)</b>	(677,000)
Proceeds from dilution of investment in associate and joint venture		-	2,554,187
Other finance income received		<b>1,110,746</b>	1,233,457
Net movements in investment in marketable securities		<b>(1,410,913)</b>	2,564,318
Investments in associates and joint ventures		<b>(436,094)</b>	(59,553)
Dividend from associates and joint ventures	18	<b>800,113</b>	605,907
Deposits with banks with original maturity over three months (non-banking operations)		<b>2,814,372</b>	(6,734,793)
Payments for shares repurchased by an indirect subsidiary of the Group		<b>(145,376)</b>	-
Sale of investment in a subsidiary		<b>1,551,300</b>	-
Net movement in non-controlling interest		<b>236</b>	-
Net cash used in investing activities		<b>(5,822,527)</b>	(7,333,495)
<b>FINANCING ACTIVITIES</b>			
Distribution to the Government	28	<b>(4,994,600)</b>	(4,922,300)
Net movement in borrowings and lease liabilities		<b>(17,005,284)</b>	(6,830,230)
Deposit under repurchase agreements		<b>1,627,351</b>	(2,723,132)
Other finance costs paid		<b>(2,200,586)</b>	(2,375,289)
Directors' fees paid		<b>(12,778)</b>	(24,400)
Dividend paid to the non-controlling interests		<b>(882,338)</b>	(721,572)
Net cash used in financing activities		<b>(23,468,235)</b>	(17,596,923)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(398,600)</b>	13,185,051
Cash and cash equivalents on transfer of entities		<b>893,990</b>	1,530,284
Cash and cash equivalents at the beginning of the year		<b>8,556,078</b>	(6,159,257)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	25	<b>9,051,468</b>	8,556,078

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 27)	Retained earnings AED '000	Other reserves AED '000 (see note 29)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2011	224,394,919	19,587,734	12,384,376	256,367,029	20,983,137	277,350,166
Profit for the year	-	14,406,611	-	14,406,611	2,482,003	16,888,614
Other comprehensive income for the year	-	(7,531)	(33,816)	(41,347)	66,347	25,000
<b>Total comprehensive income for the year</b>	-	<b>14,399,080</b>	<b>(33,816)</b>	<b>14,365,264</b>	<b>2,548,350</b>	<b>16,913,614</b>
Transfer of freehold land contributed by the Government (see note 27)	80,396	-	-	80,396	847	81,243
Capital returned to the Government (see note 27)	(154,520)	-	-	(154,520)	-	(154,520)
Arising on transfer of subsidiaries to the Government (see note 12)	(160,067,346)	(185,563)	-	(160,252,909)	-	(160,252,909)
Distribution paid to the Government (see note 28)	-	(4,994,600)	-	(4,994,600)	-	(4,994,600)
Directors' fees in subsidiaries, associates and joint ventures	-	(12,780)	-	(12,780)	(7,801)	(20,581)
Dividend paid to non-controlling interests	-	-	-	-	(882,338)	(882,338)
Shares purchased and cancelled by an indirect subsidiary	-	(46,114)	-	(46,114)	(99,262)	(145,376)
Transfers	-	(181,580)	181,580	-	-	-
Increase in non-controlling interests	-	-	-	-	149	149
Other movements	-	(112,667)	12,755	(99,912)	7,041	(92,871)
<b>Balance at 31 December 2011</b>	<b>64,253,449</b>	<b>28,453,510</b>	<b>12,544,895</b>	<b>105,251,854</b>	<b>22,550,123</b>	<b>127,801,977</b>

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

Investment Corporation of Dubai and its subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2011

	Attributable to the equity holder of ICD					
	Capital AED '000 (see note 27)	Retained earnings AED '000	Other reserves AED '000 (see note 29)	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2010	64,493,777	9,591,937	11,937,837	86,023,551	19,873,253	105,896,804
Profit for the year	-	15,362,502	-	15,362,502	1,319,325	16,681,827
Other comprehensive income for the year	-	-	460,658	460,658	378,454	839,112
<b>Total comprehensive income for the year</b>	-	15,362,502	460,658	15,823,160	1,697,779	17,520,939
Contribution by the equity holder (see note 27)	163,634,472	-	-	163,634,472	-	163,634,472
Capital returned to the Government (see note 27)	(3,733,330)	-	-	(3,733,330)	-	(3,733,330)
Distribution paid to the Government (see note 28)	-	(4,922,300)	-	(4,922,300)	-	(4,922,300)
Directors' fees in subsidiaries, associates and joint ventures	-	(14,743)	-	(14,743)	(9,657)	(24,400)
Dividend paid to non-controlling interests	-	-	-	-	(721,572)	(721,572)
Arising on acquisition of subsidiaries (see notes 12(b) and 13(c))	-	-	(595,639)	(595,639)	145,805	(449,834)
Transfers	-	(152,904)	152,904	-	-	-
Increase in non-controlling interests	-	-	-	-	71,548	71,548
Other movements	-	(276,758)	428,616	151,858	(74,019)	77,839
Balance at 31 December 2010	224,394,919	19,587,734	12,384,376	256,367,029	20,983,137	277,350,166

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

# Investment Corporation of Dubai and its subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 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 at PO Box 333888, Dubai, United Arab Emirates.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of ICD and its subsidiaries have been prepared in accordance with International Financial Reporting Standards.

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 values are rounded to the nearest thousand (AED’000) except when otherwise indicated.

#### **Basis of consolidation**

The consolidated financial statements for the year ended 31 December 2011 comprise results of operations and the financial position of ICD and its subsidiaries (together referred to as the “Group”) and the Group’s interest in the net assets of its associates and joint ventures. The list of ICD’s significant subsidiaries, associates and joint ventures is provided in note 41.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as ICD, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- 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 and loss; and
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit and loss or retained earnings, as appropriate.



# Investment Corporation of Dubai and its subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted following new and amended IFRS and IFRIC Interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

The effect of the adoption of the Standards or Interpretations is described below:

#### *IAS 24 Related Party Transactions (Amendment)*

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group, however it had an impact on the disclosure requirements of the Group that have been disclosed in note 39 to the consolidated financial statements of the Group.

#### *IAS 32 Financial Instruments: Presentation (Amendment)*

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no significant effect on the financial position or performance of the Group.

#### *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The amendment to the Interpretation had no significant effect on the financial position or performance of the Group.

#### *Improvements to IFRSs*

A number of improvements were made to IFRSs however management believes that these have no significant impact on the financial position or performance of the Group.

### 2.3 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards 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.

#### *IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit and loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

#### *IAS 12 Income Taxes – Recovery of Underlying Assets*

The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012. Management believes that there will be no impact of this on the consolidated financial statements of the Group.

## Investment Corporation of Dubai and its subsidiaries

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

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

##### *IAS 19 Employee Benefits (Amendment)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Management is currently assessing the impact of this Standard on the financial position or performance of the Group.

##### *IAS 27 Separate Financial Statements (as revised in 2011)*

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and has no impact on the financial position or performance of the Group.

##### *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Management believes that there will be no impact of this on the financial position or performance of the Group.

##### *IFRS 7 Financial Instruments: Enhanced Derecognition Disclosure Requirements*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

##### *IFRS 9 Financial Instruments: Disclosures — Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs 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 2015. In subsequent phases, the IASB will address 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 potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

##### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the impact of this Standard on the financial position or performance of the Group.

##### *IFRS 11 Joint Arrangements*

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 must be accounted for using the equity method. The application of this new Standard will have no impact on the financial position or performance of the Group. This Standard becomes effective for annual periods beginning on or after 1 January 2013.

##### *IFRS 12 Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This Standard becomes effective for annual periods beginning on or after 1 January 2013 and is not expected to have any significant impact on the financial position or performance of the Group.

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

*IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not mandate 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. The Group is currently assessing the impact that this Standard will have on its financial position and performance. This Standard becomes effective for annual periods beginning on or after 1 January 2013.

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

*Distinction between investment properties and owner-occupied properties*

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

*Classification of investments*

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 investments 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 mathematical 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 of the investee) or their original cost, as management believe such value to be approximately equal to the fair value of unlisted investments as at the year-end.

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Income taxes*

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

*Frequent flyer programme / customer loyalty programme*

Two of the Group's subsidiaries 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 as a liability (deferred revenue) in the consolidated statement of financial position.

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

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

*Development and production assets – depletion*

One of the Group's 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 257.25 (USD 70) per barrel to AED 275.63 (USD 75) per barrel from 1 August 2011. 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 higher at AED 349.13 (USD 95) from 1 August 2011 and the netback price of gas had been AED 3.675 (USD 1) per Mscf higher at AED 16.54 (USD 4.50) from 1 January 2011, the reserves attributable to the Group would decrease, with a consequent increase in the depletion charge of AED 24.62 million for the year.

If the estimate of the long term oil price had been AED 73.5 (USD 20) per barrel lower at AED 202.13 (USD 55) from 1 August 2011, and the netback price of gas had been AED 3.675 (USD 1) per Mscf lower at AED 9.19 (USD 2.50) from 1 January 2011, the reserves attributable to the Group would increase, with a consequent decrease in the depletion charge of AED 46.67 million for the year.

If the expected gas sales were delayed to 2016, the depletion charge for the year would increase by AED 8.45 million.

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

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Impairment losses on property, plant and equipment*

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

*Depreciation of property, plant and equipment*

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

*Allowances for impairment of loans and receivables, Islamic financing and investment products*

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

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

*Portfolio impairment provision (PIP)*

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 equity 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.

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Derivatives*

The fair values 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 and selects a suitable discount rate in order to calculate the present value of those cash flows.

*Valuation of intangible assets on acquisition*

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

*Amortisation of intangible assets*

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

*Impairment of investment 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 the value-in-use calculations. Calculating the value-in-use implies obtaining cash flow forecasts from the management of the equity accounted investments. 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. Thus, 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 consider 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.

*Operating lease commitments-the Group as lessor*

The Group has entered into commercial and 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.

**2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Provision of 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 salability 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

# Investment Corporation of Dubai and its subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Business combinations and goodwill (continued)**

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 is 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

#### **Investment in joint ventures**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's investments in joint ventures are accounted for under the equity method of accounting.

Under the equity method, 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 investment 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 investment 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, when applicable, in the consolidated statement of 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.

#### **Investment in an associate**

The Group's investment in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

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

The consolidated income statement reflects the Group's share of the results of operations of its associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of 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 an associate 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.



**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment in an associate (continued)**

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment 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 'gain/(loss) in respect of associates and joint venture' in the consolidated income statement.

Upon loss of significant influence over an associate, the Group measures and recognises any retaining 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 normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and SPE. Day-to-day changes in the market conditions normally do not lead to a reassessment of control.

**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.

**Fiduciary activities**

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.

**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.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Foreign currency translation (continued)

Where functional currencies of foreign operations are other than United Arab Emirates Dirhams, 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 the weighted 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 - 50 years
Leasehold premises	<i>Lower of asset's useful life or lease term</i>
Buildings and leasehold improvements	<i>Lower of lease term or useful life of 1.5 - 50 years</i>
Plant, machinery, equipment and vehicles	3 - 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 engines and parts	5 - 15 years (residual value 0 - 10%)

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

When 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.

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 represents 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 Production Sharing Agreement ("PSA") between one of the Group's subsidiaries and the State Agency for management use of Hydrocarbon Resource in Turkmenistan. 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

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. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, which are inherently uncertain. Future oil prices have an impact on the proportion of the reserves which are attributable to the Group under the terms of the PSA.

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.

*Onshore production facilities*

Expenditure on the construction, installation and completion of infrastructure facilities is capitalised within the carrying value of property, plant and equipment. Depreciation commences upon commissioning, and these assets are depreciated over their expected useful economic lives.

*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 proven and probable oil and gas reserves. In relation to quantities of petroleum, "proven" means the amount which geographical and engineering data indicate to be in place or recoverable to a high degree of certainty. For the purposes of this definition, there is a 90 per cent chance that the actual quantity will be more than the amount estimated as "proven" and a 10 per cent chance it will be less. In relation to quantities of petroleum, "probable" means the amount which geophysical and engineering data indicate to be in place or recoverable but with a greater element of risk than in "proven". For the purposes of this definition, there is a 50 per cent chance that the actual quantity will be more than the amount estimated as "proven and probable" and 50 per cent chance it will be less.

*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*

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.

**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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government grants (continued)**

When the Group receives non-monetary grants, the asset and the grant are recorded gross 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 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 companies are classified as investment properties. The Group has adopted the cost model for accounting for its investment property. Accordingly, 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 or deemed cost, being the fair value determined by the Land Department of the Government of Dubai or a combination of both, 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 services 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 property 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 property 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 property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its cost less accumulated depreciation and impairment at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, the Group accounts for such property in accordance with the policy stated under inventories up to 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 Corporation of Dubai and its subsidiaries

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Investment properties (continued)**

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. 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 lower of cost less 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 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 as investment property, property, plant and equipment or inventory 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 charged against profits 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.

The Group has interests in entities which are in the process of acquiring mining rights. A part of the amount paid by the Group towards the cost of acquisition of interest in these entities is allocated to the mining rights. The amount paid towards potential acquisition of mining rights is classified as intangible assets as part of cost of investment. These amounts will be amortised over the estimated life of economic output from the assets once the rights are acquired by the entities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Intangible assets (excluding goodwill) (continued)**

Intangible assets with finite lives are amortised on a straight-line basis over the estimated useful lives as follows:

Service rights	<i>15 years</i>
Concession agreements	<i>9 - 50 years</i>
Customer relationships	<i>5 - 10 years</i>
Computer software	<i>3 - 7 years</i>
Contractual rights	<i>Over the term of rights</i>
Licenses (including trade names)	<i>5 - 50 years</i>

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.

**Investments and other non-current assets**

Financial assets within the scope of IAS 39 are classified as either:

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

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

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

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments and other non-current assets (continued)**

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

*i) Financial assets at fair value through profit or loss*

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

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

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

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

*ii) Loans and receivables*

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

*Trade and other receivables*

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

*Due from banks and deposits*

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

*Islamic financing and investing products*

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

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

*Fiduciary assets*

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

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments and other non-current assets (continued)**

*iii) Held-to-maturity investments*

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

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

*iv) Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with 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 of, the cumulative gain or loss previously recorded in other comprehensive income / equity is recognised in the consolidated income statement.

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

Assets in this category are included in non-current assets unless management intends to dispose 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.



**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets (continued)**

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.

*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.

*Investment 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 investment in its associates or joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in associate or joint venture is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the investment in associate 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 been 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

*Individually assessed loans and advances*

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

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

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

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

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

*Collective 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.

*Incurring 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets (continued)**

*Incurred but not yet identified impairment (continued)*

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 occurring 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 occurring 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. Two alternative methods are used to calculate allowances on a collective basis:

*Consumer*

When appropriate empirical information is available, the Group utilises 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.

*Corporate*

Historical loss rates for different industry sectors are considered to determine the collective impairment provisions for the corporate portfolios. To ensure that the impact of economic cycles are incorporated, the loss rates are benchmarked against published default histories observed over economic cycles in different markets. Industry specific adjustments are made to reflect the current market conditions. A number of stress scenarios are run to ensure that the reserves are adequate and reflect a realistic level of collective impairment provisions.

The collective impairments computed for each significant group of loans are compared against the minimum collective impairment provisioning requirements prescribed by the regulatory authorities and the higher of the two amounts is set aside for collective impairment.

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.

*Write-off of loans and advances*

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

*Reversals of impairment*

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

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Impairment of financial assets (continued)

##### *Available-for-sale financial assets*

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

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

#### Work in progress and excess billings

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	<i>weighted average</i>
Airline inventory (excluding consumer goods)	<i>weighted average</i>
Ship spares	<i>weighted average</i>
Dry docking inventory	<i>weighted average</i>
Hospitality operations	<i>weighted average</i>
Contracting inventory	<i>first-in-first-out</i>
Industrial products	<i>weighted average</i>
Consumer goods	<i>weighted average</i>
Airline consumer goods	<i>first-in-first-out</i>
Fabrication materials	<i>first-in-first-out</i>

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.

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 sales.

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

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents**

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

**Financial liabilities at fair value through profit or loss**

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of settling in the near term. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

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

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

**2.5 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**

One of the Group's subsidiaries 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, one of the Group's subsidiaries operates a Plus points rewards programme which allows customers to accumulate points when they purchase products on the Group'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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Onerous contract**

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

**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 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.

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 Group 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, together with adjustments for unrecognised past-service costs and unamortised actuarial gains and losses. 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 corporate bonds that have terms to maturity approximating the estimated term of the post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions that are in excess of the corridor limits determined in accordance with IAS 19, are amortised to the consolidated income statement over a period of three years.

**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.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share-based compensation plans**

Certain employees (including senior executives) of a subsidiary receive remuneration in the form of share-based payment transactions, whereby such employees render services as consideration for equity instruments (“equity-settled transactions”).

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the subsidiary’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 an 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 charged to 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.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*Group as a lessee (continued)*

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.

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft and engines. 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.

*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.

*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 and receivables to 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 comprises current and deferred tax. Income tax expense also includes any interest, fines and penalties payable to the relevant tax authorities in the jurisdictions in which the Group operates.

*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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxes (continued)**

*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.

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).

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivative financial instruments and hedging (continued)**

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.

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.

**Assets classified as held for sale**

Assets and liabilities are classified as held for sale if their carrying amount is to be principally recovered primarily through a sale transaction that is highly probable to complete within one year from the date of such classification, rather than through continuing use. Such assets and liabilities are not netted. In the period where an asset or liability is recognised for the first time as held for sale, these assets and liabilities are shown separately on the face of the consolidated statement of financial position. However, the consolidated statement of financial position for the comparative prior period presented is not restated.

These assets and liabilities held for sale are measured in line with the Group's accounting policies.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 a subsidiary of the Group and the relevant government authority.

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

*Exhibitions*

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

*Real estate revenue*

Revenue from sale of trading properties is recognised in the consolidated income statement when the significant risks and rewards of ownership 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.

*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.

*Information technology*

Revenue from information technology services is recognised as services are rendered for time-and-material and as per the percentage-of-completion method with reference to the stage of completion for the software implementation.

*Interest*

Interest income on investments in interest bearing securities is recognised as the interest accrues using the effective interest method 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.

Interest income and expense 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.

## Investment Corporation of Dubai and its subsidiaries

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Revenue recognition (continued)**

###### *Fees and commission*

Fee income is earned from a diverse range of services provided by the Group 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 'Interest 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 hotel during the period, whether invoiced or not. Revenue is stated net of municipal fees and service charges.

###### *Tank rental*

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

###### *Vessel charter*

Vessel charter is recognised on a straight line basis over the duration of the charter hire.

###### *Serviced apartments*

Revenues represent 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.

###### *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.

## Investment Corporation of Dubai and its subsidiaries

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Revenue recognition (continued)**

###### *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 statements with corresponding amounts as other assets and liabilities as the case may be.

###### *Cinema complexes*

Revenue represents share of profit accrued in accordance with the management agreements and shop rentals.

###### *Golf related operations*

Revenue represents income derived directly and indirectly from the golf operations and food and beverages sold by the restaurants. Revenue is stated net of municipality fees and discounts.

###### *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).

###### *Definitions*

The following terms are used in Islamic financing:

###### *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.

###### *Istisna'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.

###### *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.

###### *Mudaraba*

An agreement between two parties; one of them provides the funds and is called Rab-UI-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-UI-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-UI-Mal when investing such funds on a Mudaraba basis.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

*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.

*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.

*Revenue recognition*

*Murabaha*

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.

*Istisna'a*

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

*Ijara*

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

*Musharaka*

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

*Mudaraba*

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*

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*

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

**Bond Holders' share of profit**

Profit to Bond Holders 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, 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.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 3 REVENUES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Transportation and related services	<b>64,068,595</b>	54,006,426
Oil and gas products/services	<b>45,523,629</b>	35,192,336
Banking and financial services (see note (a) below)	<b>13,349,283</b>	14,811,571
Industrial manufacturing	<b>11,143,813</b>	8,670,434
Retail trade	<b>5,446,919</b>	4,698,298
Rental income	<b>1,742,808</b>	1,625,359
Hotels and leisure	<b>199,488</b>	184,687
Contract revenue	<b>140,793</b>	267,596
Other investment income	<b>163,476</b>	105,421
Others	<b>572,554</b>	590,361
	<b><u>142,351,358</u></b>	<b><u>120,152,489</u></b>

a) Revenues from banking and financial services include:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Interest income and profit on loans and receivables and Islamic financing and investment products to customers	<b>10,602,480</b>	11,729,173
Fee and commission income	<b>1,858,704</b>	2,416,934
Interest income and profit on loans and receivables to banks	<b>367,851</b>	218,549
Interest income on available-for-sale securities	<b>294,688</b>	257,596
Others	<b>225,560</b>	189,319
	<b><u>13,349,283</u></b>	<b><u>14,811,571</u></b>

#### 4 COST OF REVENUES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Transportation and related services	<b>54,882,751</b>	43,313,151
Oil and gas products/services (see note (a) below)	<b>40,599,937</b>	31,035,360
Industrial manufacturing	<b>7,867,079</b>	5,979,228
Banking and other financial services (see note (b) below)	<b>4,199,534</b>	5,797,709
Retail trade	<b>3,574,139</b>	3,134,759
Rental expense	<b>951,780</b>	881,552
Hotels and leisure	<b>108,168</b>	101,863
Contract costs	<b>74,846</b>	183,654
Others	<b>131,680</b>	110,347
	<b><u>112,389,914</u></b>	<b><u>90,537,623</u></b>

a) The cost of revenue of oil and gas products/services is net of a government grant amounting to AED 2,375 million in 2011 (2010: AED 1,473 million) which is provided by the Government to compensate the Group for the losses arising from the requirement to sell retail gasoline at a fixed price in Dubai and the Northern Emirates.



Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**4 COST OF REVENUES (continued)**

b) Cost of revenues for banking and other financial services include:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Interest expense and profit on deposits from customers	<b>2,076,321</b>	3,559,622
Interest expense and profit on borrowings from banks and other financial institutions	<b>641,146</b>	333,850
Distribution to depositors and profit paid to sukuk holders	<b>865,818</b>	1,109,972
Fee and commission expenses	<b>163,743</b>	757,121
Others	<b>452,506</b>	37,144
	<b>4,199,534</b>	5,797,709

**5 OTHER INCOME**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Foreign exchange income	<b>621,835</b>	877,972
Net gain on sale of investment securities	<b>274,152</b>	343,403
Liquidated damages	<b>133,263</b>	235,396
Net change in fair value of investments carried at fair value through profit or loss (see note 19)	<b>13,441</b>	(60,357)
Dividend income	<b>108,122</b>	139,480
Gain on sale and leaseback of aircraft	<b>166,858</b>	532,265
Reversal of provision (see note 34(b))	<b>551,250</b>	-
Reversal of impairment loss	-	164,634
Gain on disposal of property, plant and equipment, investment properties and intangible assets	<b>74,719</b>	31,240
Others	<b>2,398,376</b>	1,652,323
	<b>4,342,016</b>	3,916,356

**6 NET GAIN FROM DERIVATIVE INSTRUMENTS**

This includes primarily gains on commodity derivative contracts.

**7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Impairment loss on loans and receivables - net of recoveries (see note 24)	<b>4,130,568</b>	2,563,702
Impairment loss on trade and other receivables - net of recoveries (see note 22)	<b>34,787</b>	1,020,581
Impairment loss on available-for-sale investments	<b>812,719</b>	309,725
Impairment loss on investment in associates and joint ventures (see note 18)	<b>756,954</b>	875,871
Impairment loss on Islamic financing and investment products (see note 23)	<b>564,166</b>	283,319
Other impairment losses - net	<b>56,496</b>	77,296
Net special asset recoveries	<b>(2,901)</b>	-
	<b>6,352,789</b>	5,130,494

Investment Corporation of Dubai and its subsidiaries

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**8 OTHER FINANCE INCOME**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Interest income and profit from bank deposits	<b>570,498</b>	605,439
Interest income and profit from related parties	<b>451,178</b>	484,815
Other interest income	<b>89,070</b>	86,427
	<hr/> <b>1,110,746</b> <hr/>	<hr/> 1,176,681 <hr/>

**9 OTHER FINANCE COSTS**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Finance costs on bank borrowings	<b>755,899</b>	990,963
Interest on loans from related parties	<b>891,769</b>	863,764
Finance charges on finance leases and hire purchase contracts	<b>495,009</b>	421,262
Others	<b>57,909</b>	73,626
	<hr/> <b>2,200,586</b> <hr/>	<hr/> 2,349,615 <hr/>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 10 INCOME TAX EXPENSE

The components of income tax expense are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<i>Current income tax</i>		
Current income tax charge	<b>858,504</b>	550,353
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	<b>134,364</b>	62,676
Income tax expense	<b>992,868</b>	613,029

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. A subsidiary which operates in a large number of tax jurisdictions has secured tax exemptions by virtue of double taxation agreements and reciprocal arrangements in most of the jurisdictions in which it operates.

Income tax 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:

	<i>Consolidated statement of financial position 2011 AED'000</i>	<i>Consolidated income statement 2011 AED'000</i>
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax purposes	<b>505,908</b>	<b>128,562</b>
Tax effect of intangible assets and other timing differences	<b>127,282</b>	<b>(8,444)</b>
Inventory	<b>(165)</b>	-
Fair value of derivative instrument	<b>14,502</b>	-
	<b>647,527</b>	<b>120,118</b>
<i>Deferred tax assets</i>		
Losses available for offset against future taxable income	<b>20,574</b>	<b>2,371</b>
Other timing differences	<b>6,342</b>	<b>11,875</b>
	<b>26,916</b>	<b>14,246</b>
Deferred income tax		<b>134,364</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**10 INCOME TAX EXPENSE (continued)**

	<i>Consolidated statement of financial position 2010 AED'000</i>	<i>Consolidated income statement 2010 AED'000</i>
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax purposes	378,595	51,605
Tax effect of intangible assets and other timing differences	105,404	(11,486)
	<u>483,999</u>	<u>40,119</u>
<i>Deferred tax assets</i>		
Losses available for offset against future taxable income	11,136	-
Other timing differences	7,083	22,557
	<u>18,219</u>	<u>22,557</u>
Deferred income tax		<u>62,676</u>
	<b><i>2011 AED'000</i></b>	<b><i>2010 AED'000</i></b>
Disclosed as follows:		
Non-current liabilities	<b>633,190</b>	483,999
Current liabilities	<b>14,337</b>	-
	<u><b>647,527</b></u>	<u>483,999</u>

**11 PROFIT FOR THE YEAR**

	<b><i>2011 AED'000</i></b>	<b><i>2010 AED'000</i></b>
Profit for the year is stated after charging the following:		
Staff costs	<b><u>15,617,530</u></b>	<u>13,828,492</u>
Rental-operating leases (including aircraft operating lease payments of AED 4,642,987 thousand (2010: AED 4,245,338 thousand))	<b><u>5,011,457</u></b>	<u>4,586,731</u>
Depreciation and impairment on property, plant and equipment, investment properties and development properties (see notes 14,16 and 17)	<b><u>7,867,983</u></b>	<u>6,895,493</u>
Amortisation and impairment of intangible assets (see note 15)	<b><u>355,931</u></b>	<u>316,909</u>

Staff costs include pension costs amounting to AED 81,257 thousand (2010: AED 110,605 thousand), other post employment benefits amounting to AED 556,622 thousand (2010: AED 444,336 thousand) and employee profit share scheme expense amounting to AED 41,984 thousand (2010: AED 35,928 thousand).

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 12 TRANSFER OF ENTITIES UNDER COMMON CONTROL AND DISCONTINUED OPERATIONS

- a) During the year ended 31 December 2010, in accordance with Emiree Decree No. 7 of 2010 passed by the Government, a 100% ownership interest in “Dubai Real Estate Corporation” was transferred to ICD with effect from 18 March 2010. The transfer value of investment amounted to AED 161,944,470 thousand which was based on the net asset value (as adjusted for ICD’s accounting policies) of the investee company at the date of transfer and was accounted for as a capital contribution from the Government based on directives received by ICD (see note 27).

The carrying value of the assets and liabilities acquired by the Group were as follows:

	<i>AED’000</i>
<b>Assets:</b>	
Property, plant and equipment (see note 14)	18,648,999
Investment properties (see note 16)	142,932,882
Investment in marketable securities	117,532
Other non-current assets	290,669
Inventories	38,041
Trade and other receivables	522,324
Cash and deposits with banks	1,530,284
<b>Total assets acquired</b>	<b>164,080,731</b>
<b>Liabilities:</b>	
Employees’ end of service benefits (see note 30)	72,891
Borrowings and lease liabilities	784,713
Trade and other payables	1,278,657
<b>Total liabilities acquired</b>	<b>2,136,261</b>
<b>Net assets</b>	<b>161,944,470</b>

During the current year, on 16 June 2011 H.H. The Ruler of Dubai issued Law No. 11 of 2011 amending Law No. 14 of 2007 establishing Dubai Real Estate Corporation. From the date of issuance of this Law, Dubai Real Estate Corporation came under the direct control of H.H. The Ruler of Dubai and accordingly ceased to be controlled by the Investment Corporation of Dubai. This has been treated as a return of capital to the Government in the current period based on the carrying value of such investment, at the date of cessation of the Corporation’s control of Dubai Real Estate Corporation, amounting to AED 160,252,909 thousand. Despite the cessation of ICD’s control, Dubai Real Estate Corporation continued to transfer funds to ICD during 2011.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 12 TRANSFER OF ENTITIES UNDER COMMON CONTROL AND DISCONTINUED OPERATIONS (continued)

#### a) (Continued)

The carrying value of the assets and liabilities of Dubai Real Estate Corporation included in the consolidated financial statement of the Group at the time of transfer out were as follows:

	<i>AED'000</i>
<b>Assets:</b>	
Property, plant and equipment (see note 14)	18,601,486
Investment properties (see note 16)	141,066,192
Other non-current assets	204,421
Inventories	29,509
Trade and other receivables	515,158
Cash and deposits with banks	1,968,010
	<u>162,384,776</u>
<b>Liabilities:</b>	
Employees' end of service benefits (see note 30)	61,789
Borrowings and lease liabilities	688,198
Trade and other payables	1,381,880
	<u>2,131,867</u>
<b>Net assets</b>	<u><u>160,252,909</u></u>

The results of Dubai Real Estate Corporation as included in the consolidated financial statements of the Group for the year from 1 January 2011 until the date of transfer are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Revenues	<b>1,562,860</b>	2,853,210
Cost of revenues	<b>(517,761)</b>	(826,698)
	<u>1,045,099</u>	<u>2,026,512</u>
Other income	<b>22,450</b>	40,991
General, administrative and other expenses	<b>(363,053)</b>	(743,612)
Net impairment losses on financial assets (see note 22)	<b>(35,760)</b>	(28,503)
Other finance income	<b>26,000</b>	10,301
Other finance costs	<b>(14,862)</b>	-
<b>PROFIT FOR THE YEAR</b>	<u><b>679,874</b></u>	<u>1,305,689</u>
Net cash generated from operating activities	<u><b>1,128,830</b></u>	<u>1,753,414</u>
Net cash generated from / (used in) investing activities	<u><b>172,216</b></u>	<u>(738,198)</u>
Net cash used in financing activities	<u><b>(663,162)</b></u>	<u>(1,271,508)</u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 12 TRANSFER OF ENTITIES UNDER COMMON CONTROL AND DISCONTINUED OPERATIONS (continued)

- b) During 2010, ICD placed an amount of AED 800 million with National Bonds Corporation PJSC, one of its joint ventures, under a Wakala arrangement for the purpose of funding its operations and financial position. The Wakala initially carried a profit rate of 3.5% per annum and was repayable on 1 January 2012. Subsequently, it was mutually decided between ICD and the National Bonds Corporation PJSC to convert the Wakala into a Qard Hasan (profit free finance with no repayment terms) effective from the inception of the Wakala arrangement. Since the Qard Hasan did not carry any interest / profit and was repayable at the sole discretion of the National Bonds Corporation PJSC, this was treated as an investment in a joint venture by the Group, in addition to the cost of investment in National Bonds Corporation PJSC already held by the Group.

Subsequently, in an Ordinary Annual General Meeting (AGM) of the National Bonds Corporation PJSC held on 24 June 2010, the other shareholders of National Bonds Corporation PJSC resolved to transfer their shareholding in National Bonds Corporation PJSC with immediate effect to ICD (with the exception of an insignificant holding transferred to ICD's wholly owned subsidiaries). Accordingly, the joint venture became a wholly owned subsidiary of the Group.

This transaction was accounted for under the pooling of interests method. Accordingly, the excess of consideration over ICD's share of the net assets amounting to AED 595,639 thousand (as adjusted for ICD's accounting policies) was recognised in merger reserve during 2010.

The carrying value of the assets and liabilities acquired by the Group were as follows:

	<i>AED'000</i>
<b>Assets:</b>	
Property, plant and equipment (see note 14)	4,655
Investment properties (see note 16)	516,735
Development properties (see note 17)	1,137,139
Investment in associates and joint ventures (see note 18)	12,657
Investment in marketable securities	844,845
Islamic financing and investment products	1,482,610
Trade and other receivables	320,954
<b>Total assets acquired</b>	<b>4,319,595</b>
<b>Liabilities:</b>	
Employees' end of service benefits (see note 30)	4,091
Borrowings and lease liabilities	3,783,528
Other non-current payables	99,958
Trade and other payables	952,630
<b>Total liabilities acquired</b>	<b>4,840,207</b>
<b>Net liabilities acquired</b>	<b>(520,612)</b>
Non-controlling interests	(27)
Net liabilities acquired after non-controlling interests	<b>(520,639)</b>
Cash injection	800,000
<b>Adjusted net assets</b>	<b>279,361</b>
Consideration (cost of ICD's investment)*	<b>(875,000)</b>
<b>Merger reserve arising on transfer of a subsidiary</b>	<b>(595,639)</b>

\* this represents the initial investment made by ICD in National Bonds Corporation PJSC amounting to AED 75,000 thousand and the Qard Hasan (described above) amounting to AED 800,000 thousand.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 13 BUSINESS COMBINATIONS

##### *(a) Acquisition of Dubai Bank P.J.S.C.*

In accordance with a decree issued by the Ruler of Dubai on 11 October 2011, one of the Group's subsidiaries acquired a 100% stake in Dubai Bank PJSC ("Dubai Bank"), a provider of Shariah compliant banking services in the UAE.

The fair value of the assets and liabilities acquired is given below.

	<i>Fair values AED in millions</i>
Cash and deposits with banks	2,715
Islamic financing and investment products	8,225
Investment in marketable securities	368
Investment in associates and joint ventures	19
Property, plant and equipment	143
Other non-current assets	524
Customer deposits	(12,505)
Borrowings and lease liabilities	(184)
Trade and other payables	(616)
<b>Fair value of the net assets</b>	<b>(1,311)</b>
Fair value of the deposit from Ministry of Finance ("MOF") of the UAE (refer note (i) below)	543
Fair value of the guarantee from the Government (refer note (ii) below)	768
<b>Fair value of the consideration</b>	<b>AED 10</b>

##### *(i) Fair value of the deposit from Ministry of Finance of the UAE*

In connection with the transaction, the Group received a deposit from the Ministry of Finance of the UAE amounting to AED 2.8 billion at a discount compared to the market available interest rate. As per the Group policy, the financial liability should be recognised initially at its fair value plus the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Since the above deposit was received at an interest rate below the market available interest rate it was recorded at its fair value being AED 543 million lower than the amount of deposit received by the Group. This difference will be amortised over the term of the deposit (8 years) at the effective interest rate.

##### *(ii) Fair value of the guarantee from the Government*

In connection with the transaction, 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. An amount of AED 768 million represents the fair value of such guarantee as at the date of the acquisition.

The fair value of the assets and liabilities was determined by an external expert through an estimate of the future cash flows of these assets and liabilities using the market based discount rates. Acquisition-related costs amounting to AED 1.2 million have been included in general and administrative expense in the consolidated income statement.



## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 13 BUSINESS COMBINATIONS (continued)

##### *b) Acquisition of Travel Republic Group*

During 2011, one of the Group's subsidiaries acquired a 100% beneficial interest in Travel Republic Group. Travel Republic Group is an online travel services company operating in the United Kingdom, Ireland and Spain.

The fair values of the identifiable assets and liabilities of Travel Republic Group as at the date of acquisition were as follows:

	<i>Fair values AED in millions</i>
Property, plant and equipment	3
Intangible assets	79
Cash and deposits with banks	147
Trade and other receivables	9
Borrowings and lease liabilities	(63)
Deferred tax liability	(20)
Trade and other payables	(148)
<b>Net assets acquired</b>	<b>7</b>
<b>Group's share of net assets</b>	<b>7</b>
Consideration	535
Goodwill (see note 15)	<b>528</b>
Less: Cash and deposits with banks acquired	(147)
Less: Deferred considerations	(110)
Less: Contingent consideration	(78)
<b>Cash outflow on acquisition</b>	<b>200</b>

Costs of acquisition amounting to AED 9 million are included under general, administrative and other expenses.

Contingent consideration is payable after five years from the acquisition date and is based on growth in EBIDTA and free cash less outstanding debts. The amount has been estimated based on management's long term plan for the business.

The goodwill is attributable to the profitability of the acquired business and expected synergies with existing travel services business. The acquisition of Travel Republic Group will allow the Group to capitalise on the increasing popularity of online travel booking. The Group will combine the online travel services strength of Travel Republic Group with its global travel network to offer a broader range of destinations whilst maintaining the same high-quality customer experience.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 13 BUSINESS COMBINATIONS (continued)

##### *c) Acquisition of Plane Handling Ltd.*

During 2010, one of the Group's subsidiaries acquired 100% of the shares of Plane Handling Ltd. and certain assets of Aviance Limited, which were subsequently integrated into Plane Handling Ltd. The principal activities of Plane Handling Ltd. are to provide aircraft and cargo handling services at London Heathrow, Manchester and Glasgow airports in the United Kingdom.

The fair values of the identifiable assets and liabilities of Plane Handling as at the date of acquisition were as follows:

	<i>Fair values AED in millions</i>
Property, plant and equipment (see note 14)	43
Other non-current assets	79
Deferred tax assets	8
Trade and other payables	(71)
<b>Net assets acquired</b>	<b>59</b>
<b>Consideration</b>	<b>59</b>
<b>Cash outflow on acquisition</b>	<b>59</b>

##### *d) Acquisition of Alpha Flight Group Limited*

During 2010, one of the Group's subsidiaries acquired 100% of the shares of Alpha Flight Group Limited ("Alpha"). Alpha is a leading international in-flight catering business operating at 61 airports in 11 countries.

The fair values of the identifiable assets and liabilities of Alpha as at the date of acquisition were as follows:

	<i>Fair values AED in millions</i>
Property, plant and equipment (see note 14)	377
Intangible assets (see note 15)	244
Investment in associates and joint ventures	45
Other non-current assets	383
Deferred tax assets	10
Cash and deposits with banks	55
Employees' end of service benefits	(10)
Borrowings and lease liabilities	(341)
Deferred tax liabilities	(57)
Trade and other payables	(426)
<b>Net assets acquired</b>	<b>280</b>
Less: Non-controlling interests	(146)
<b>Group's share of net assets</b>	<b>134</b>
Consideration	598
Goodwill (see note 15)	464
<b>Cash outflow on acquisition</b>	<b>543</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**13 BUSINESS COMBINATIONS (continued)**

*d) Acquisition of Alpha Flight Group Limited (continued)*

The goodwill was attributable to the profitability of the acquired business and expected synergies with companies under common control. The acquisition of Alpha represents a significant expansion of Group's existing in-flight catering operations including airport ground handling, cargo handling, travel services and IT solutions as well as in-flight catering.

*e) Tanfeeth*

On 7 July 2011, Tanfeeth LLC was incorporated as a fully owned subsidiary of one of the Group's subsidiaries. The primary objective of the entity is to provide a platform to a subsidiary of the Group's various back office operations with an objective to enhance the service delivery capability and achieve efficiencies.

The Group has incorporated a number of other insignificant subsidiaries, associates and joint ventures during the current and prior year. Further, the Group's shareholding has changed in a number of insignificant subsidiaries, associates and joint ventures during the current and prior year.

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**14 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
<b>Cost:</b>								
Balance at 1 January 2011	39,389,598	4,159,592	34,016,812	7,199,836	24,883,670	3,175,062	8,023,368	120,847,938
Transfers	2,164,412	129,027	1,147,140	-	5,402,499	173,075	(9,016,153)	-
Transfers from investment properties (see note 16)	100,000	-	-	-	-	-	-	100,000
Transfers from development properties (see note 17)	348,767	-	-	-	-	-	-	348,767
Transfers from inventories	-	-	-	117,857	-	-	-	117,857
Write off during the year	(1,032)	(13,465)	-	-	-	-	-	(14,497)
Additions during the year	178,156	287,424	1,737,152	1,289,473	479,095	253,456	11,011,458	15,236,214
Arising on transfer of a subsidiary to the Government (see note 12)	(18,639,352)	(466,263)	(345,879)	-	-	-	(122,491)	(19,573,985)
Acquired on business combinations (see note 13)	4,476	2,644	42,068	-	-	-	96,133	145,321
Disposals during the year	(93,590)	(134,697)	(2,082,450)	-	(851,731)	(21,852)	(4,557)	(3,188,877)
Translation differences	(23,191)	8,885	(53,278)	-	-	-	(4,226)	(71,810)
<b>At 31 December 2011</b>	<b>23,428,244</b>	<b>3,973,147</b>	<b>34,461,565</b>	<b>8,607,166</b>	<b>29,913,533</b>	<b>3,579,741</b>	<b>9,983,532</b>	<b>113,946,928</b>
<b>Accumulated depreciation and impairment:</b>								
Balance at 1 January 2011	5,948,987	2,895,758	16,873,365	3,134,286	3,850,359	870,759	2,820	33,576,334
Transfers	755	-	-	-	-	-	(755)	-
Impairment and depreciation charge for the year (see note 11)	1,242,885	466,240	2,598,496	754,588	1,606,884	191,843	-	6,860,936
Write off during the year	(104)	(7,284)	-	-	-	-	-	(7,388)
Arising on transfer of a subsidiary to the Government (see note 12)	(520,578)	(271,118)	(179,725)	-	-	-	(1,078)	(972,499)
Relating to disposals during the year	(47,501)	(122,666)	(2,022,792)	-	(631,781)	(12,574)	-	(2,837,314)
Translation differences	(5,018)	(8)	(14,724)	-	-	-	-	(19,750)
<b>At 31 December 2011</b>	<b>6,619,426</b>	<b>2,960,922</b>	<b>17,254,620</b>	<b>3,888,874</b>	<b>4,825,462</b>	<b>1,050,028</b>	<b>987</b>	<b>36,600,319</b>
<b>Net book value:</b>								
<b>At 31 December 2011</b>	<b>16,808,818</b>	<b>1,012,225</b>	<b>17,206,945</b>	<b>4,718,292</b>	<b>25,088,071</b>	<b>2,529,713</b>	<b>9,982,545</b>	<b>77,346,609</b>

## Investment

### 14 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 2010	19,638,293	3,449,978	29,558,395	5,510,784	21,396,307	3,802,032	9,910,190	93,265,979
Transfers	1,062,419	96,019	3,467,471	-	7,090,653	170,656	(11,887,218)	-
Transfers to investment properties (see note 16)	(130,022)	-	-	-	-	-	(1,140,128)	(1,270,150)
Transfers from development properties (see note 17)	17,836	1,219	-	-	-	-	19,055	19,055
Transfers to intangible assets (see note 15)	-	-	(7,394)	-	-	-	-	(7,394)
Transfers to assets classified as held for sale (see note 26)	(14,172)	-	(285,950)	-	-	(12,209)	(12,209)	(312,331)
Arising from transfer of subsidiaries (see note 12)	18,557,708	461,751	314,129	-	-	-	73,988	19,407,576
Additions during the year	207,348	166,956	1,703,509	1,689,052	8,127	241,336	11,116,855	15,133,183
Acquired on business combinations (see note 13)	220,392	12,351	182,592	-	-	4,412	4,412	419,747
Disposals during the year	(249,964)	(85,331)	(1,095,860)	-	(3,611,417)	(1,038,962)	(42,854)	(6,124,388)
Translation differences	79,760	56,649	179,920	-	-	-	332	316,661
At 31 December 2010	39,389,598	4,159,592	34,016,812	7,199,836	24,883,670	3,175,062	8,023,368	120,847,938
Accumulated depreciation and impairment:								
Balance at 1 January 2010	4,725,218	2,204,960	15,321,648	2,441,997	3,971,497	1,161,106	96,544	29,922,970
Reclassifications	3,840	(3,730)	(110)	-	-	-	-	-
Arising from transfer of subsidiaries (see note 12)	398,144	218,103	137,675	-	-	-	-	753,922
Impairment and depreciation charge for the year (see note 11)	1,024,175	489,398	2,329,963	692,289	1,487,438	209,413	1,302	6,233,978
Transfers to investment properties (see note 16)	-	-	-	-	-	-	(95,027)	(95,027)
Transfers to assets classified as held for sale (see note 26)	(2,551)	-	(127,195)	-	-	-	-	(129,746)
Relating to disposals during the year	(213,395)	(69,000)	(836,039)	-	(1,608,576)	(499,760)	-	(3,226,770)
Translation differences	13,556	56,027	47,423	-	-	-	1	117,007
At 31 December 2010	5,948,987	2,895,758	16,873,365	3,134,286	3,850,359	870,759	2,820	33,576,334
Net book value:								
At 31 December 2010	33,440,611	1,263,834	17,143,447	4,065,550	21,033,311	2,304,303	8,020,548	87,271,604

**14 PROPERTY, PLANT AND EQUIPMENT (continued)**

- (a) Land, buildings and leasehold improvements include:
- (i) A plot of land provided by the Government as a grant to one of the subsidiaries of the Group and recorded at nominal value. The land has been provided to construct a new building.
  - (ii) Certain buildings and civil works of net book value AED 3,008,189 thousand (2010: AED 3,087,916 thousand) constructed on land granted by H.H. the Ruler of Dubai or the Government. The Group accounted for this non-monetary government grant received by one of its subsidiaries during the previous period at nominal value.
  - (iii) Retail fuel stations are constructed on land leased from third parties. Leases are generally for a period of 20 years.
  - (iv) 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) Property, plant and equipment provided as security against the Group's borrowings and lease liabilities amounted to AED 3,734,130 thousand (2010: AED 4,273,305 thousand). The net book value of property, plant and equipment includes AED 23,756,710 thousand (2010: AED 19,361,150 thousand) in respect of aircraft and aircraft engines held under finance leases.
- Refer note 31 for further information on security.
- (c) Borrowing costs amounting to AED 7.2 million (2010: AED 9.2 million) have been capitalised during the year.
- (d) Capital work-in-progress includes:
- (i) pre-delivery payments of AED 6,037,433 thousand (2010: AED 3,905,923 thousand) in respect of aircraft due for delivery in the period to 2024 (2010: due for delivery in the period to 2019).
  - (ii) construction relating to gas processing plant, berth facilities and construction of retail sites in Dubai and Northern Emirates.
- (e) Certain business premises are situated on plots of land obtained on 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.

Investment Corporation of Dubai and its subsidiaries

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At 31 December 2011

15 INTANGIBLE ASSETS

	<i>Licences</i> AED'000	<i>Goodwill</i> AED'000	<i>Customer</i> <i>relationships and</i> <i>trade names</i> AED'000	<i>Computer</i> <i>software</i> AED'000	<i>Service</i> <i>rights</i> AED'000	<i>Contractual</i> <i>rights</i> AED'000	<i>Capital</i> <i>work-in-</i> <i>progress</i> AED'000	<i>Total</i> AED'000
<b>Cost:</b>								
Balance at 1 January 2011	2,855,925	9,593,264	314,973	765,016	747,861	701,503	69,416	15,047,958
Additions during the year	-	-	-	15,354	29,999	4	102,418	147,775
Transfers	-	-	-	39,414	-	-	(39,414)	-
Disposals during the year	-	-	-	(2,959)	-	-	-	(2,959)
Acquired on business combination (see note 13)	-	527,961	-	42,448	-	36,351	-	606,760
Translation differences	(16)	(4,006)	1	(378)	(1)	(1,664)	-	(6,064)
<b>At 31 December 2011</b>	<b>2,855,909</b>	<b>10,117,219</b>	<b>314,974</b>	<b>858,895</b>	<b>777,859</b>	<b>736,194</b>	<b>132,420</b>	<b>15,793,470</b>
<b>Accumulated amortisation and impairment:</b>								
Balance at 1 January 2011	244,299	54,491	189,405	503,224	278,787	165,822	-	1,436,028
Impairment and amortisation charge for the year (see note 11)	59,510	-	53,389	97,964	73,014	72,054	-	355,931
Relating to disposals during the year	-	-	-	(1,196)	-	-	-	(1,196)
Translation differences	(2)	-	1	(155)	-	(3,823)	-	(3,979)
<b>At 31 December 2011</b>	<b>303,807</b>	<b>54,491</b>	<b>242,795</b>	<b>599,837</b>	<b>351,801</b>	<b>234,053</b>	<b>-</b>	<b>1,786,784</b>
<b>Net book value:</b>								
<b>At 31 December 2011</b>	<b>2,552,102</b>	<b>10,062,728</b>	<b>72,179</b>	<b>259,058</b>	<b>426,058</b>	<b>502,141</b>	<b>132,420</b>	<b>14,006,686</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15 INTANGIBLE ASSETS (continued)

Cost:	Licences 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
Balance at 1 January 2010	2,866,788	9,126,641	711,380	632,877	340,212	414,592	99,659	14,192,149
Transfers	(10,863)	-	(396,407)	88,883	407,270	-	(88,883)	-
Transfers from property, plant and equipment (see note 14)	-	-	-	7,394	-	-	-	7,394
Transfers to assets classified as held for sale (see note 26)	-	(26,733)	-	-	-	-	-	(26,733)
Additions during the year	-	-	-	32,648	379	4,804	58,640	96,471
Disposals during the year	-	-	-	(9,193)	-	-	-	(9,193)
Acquired on business combination (see note 13)	-	464,225	-	11,917	-	242,963	-	719,105
Translation differences	-	29,131	-	490	-	39,144	-	68,765
At 31 December 2010	2,855,925	9,593,264	314,973	765,016	747,861	701,503	69,416	15,047,958
Accumulated amortisation and impairment:								
Balance at 1 January 2010	202,296	54,491	182,963	408,137	137,719	111,025	-	1,096,631
Transfers	(17,511)	-	(47,489)	-	65,000	-	-	-
Impairment and amortisation charge for the year (see note 11)	59,514	-	53,931	91,364	71,816	40,284	-	316,909
Relating to disposals during the year	-	-	-	(8,061)	-	-	-	(8,061)
Acquired on business combination (see note 13)	-	-	-	11,334	-	-	-	11,334
Translation differences	-	-	-	450	4,252	14,513	-	19,215
At 31 December 2010	244,299	54,491	189,405	503,224	278,787	165,822	-	1,436,028
Net book value:								
At 31 December 2010	2,611,626	9,538,773	125,568	261,792	469,074	535,681	69,416	13,611,930



**15 INTANGIBLE ASSETS (continued)**

**Impairment testing of goodwill and other intangibles**

A significant proportion of goodwill and other intangibles of the Group relate to four subsidiaries namely Emirates NBD PJSC, Emirates, Dnata and Borse Dubai. 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 cash generating units (CGUs) to which goodwill has been allocated with their carrying values.

The goodwill has been allocated to three individual cash-generating units, which are as follows:

- Corporate banking
- Consumer banking
- Treasury

The recoverable amount of the cash-generating units 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 in the cash-generating units 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 increased 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 2011, the goodwill allocated to Corporate Banking was AED 3,364 million (2010: AED 3,364 million), the goodwill allocated to Consumer Banking was AED 1,700 million (2010: AED 1,700 million) and the goodwill allocated to Treasury was AED 206 million (2010: AED 206 million).

*Corporate Banking*

The recoverable amount of Corporate Banking goodwill, 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% applied thereafter. The forecast cash flows have been discounted at a rate of 16.9%. The recoverable amount exceeded the carrying amount by AED 14,765 million. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount by AED 1,193 million and AED 612 million respectively

*Consumer Banking*

The recoverable amount of Consumer Banking goodwill, 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% applied thereafter. The forecast cash flows have been discounted at a rate of 16.9%. The recoverable amount exceeded the carrying amount by AED 16,258 million. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount by AED 1,167 million and AED 598 million respectively.

**15 INTANGIBLE ASSETS (continued)**

**Impairment testing of goodwill and other intangibles (continued)**

**(a) Emirates NBD PJSC (continued)**

*Treasury*

The recoverable amount of Treasury goodwill, is 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% applied thereafter. The forecast cash flows have been discounted at a rate of 16.9%. The recoverable amount exceeded the carrying amount by AED 4,794 million. A one percentage point change in the discount rate or the terminal growth rate would reduce the recoverable amount by AED 325 million and AED 167 million respectively.

**(b) Emirates**

For the purpose of impairment testing of goodwill relating to Emirates, goodwill amounting to AED 159 million (2010: AED 159 million) has been allocated to a subsidiary's consumer goods cash generating unit, AED 25 million (2010: AED 25 million) has been allocated to the food and beverages cash generating unit in the UAE, AED 4 million (2010: AED 4 million) has been allocated to the food and beverages cash generating unit in Australia and AED 369 million (2010: AED 369 million) has been allocated to a subsidiary's in-flight catering services cash generating unit. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 25%, 21%, 20% and 35% for the consumer goods, food and beverages in the UAE, food and beverages in Australia and in-flight catering services cash generating units respectively. Cash flow projections are based on forecasts approved by management covering a five 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 and in-flight catering services and 10% per annum for food and beverages cash generating units in UAE, which reflects specific risks relating to the cash generating units. Cash flows beyond the three year period have been extrapolated using a growth rate of 4% per annum for consumer goods and in-flight catering services and 3% per annum for food and beverages cash generating units in UAE and Australia. The growth rate does not exceed the long term average growth rate for markets in which the cash generating units operate.

**(c) Dnata**

For the purpose of impairment testing of goodwill relating to Dnata, goodwill amounting to AED 97 million (2010: AED 99 million) has been allocated to the airport services cash generating units in Singapore, AED 264 million (2010: AED 269 million) has been allocated to the airport services cash generating units in Switzerland, AED 460 million (2010: AED 476 million) has been allocated to the in-flight catering services cash generating units, AED 526 million (2010: Nil) has been allocated to travel agency cash generating units in United Kingdom and AED 3 million (2010: AED 3 million) has been allocated to travel agency cash generating units in the UAE. The recoverable amounts for these cash generating units have been determined on the basis of value-in-use calculations.

The key assumptions used in the value-in-use calculations include a risk adjusted discount rate, growth rates based on management's expectations for market development and historical gross margins of 22%, 19%, 13% and 8% for the Singapore airport services, Switzerland airport services, in-flight catering services and travel agency cash generating units in the United Kingdom and the UAE respectively. Cash flow projections for these cash generating units are based on forecasts approved by management covering a five year period and discount rates of 7%, 6%, 8% and 9% per annum respectively. Cash flows beyond the five year period have been extrapolated using growth rates of 1.5% to 3% for different cash generating units. These growth rates do not exceed the long term average growth rate for the markets in which these cash generating units operate.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 15 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 (2010: AED 2,883 million). Management has allocated the entire goodwill to the Dubai Financial Market (“DFM”). Cash flows used in determining value in use were projected for five years based on historical experience. Cash flows beyond five years period have been extrapolated using a steady growth rate of 4.5% per annum which is projected GDP rate for the UAE while a discount rate of 12% has been used to discount the cash flows projected which was estimated based on current risk free rate, current market risk premium, and the related beta coefficient.

Any material adverse changes in these key assumptions would result in an impairment loss. Management has assessed that there is no impairment in the carrying value of goodwill as the fair value of DFM less related costs to sell is far in excess of the carrying value of DFM cash generating unit including the carrying value of related goodwill.

### 16 INVESTMENT PROPERTIES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>Cost:</b>		
Balance at the beginning of the year	151,298,673	12,145,964
Additions during the year	593,893	733,432
Transferred to the Government – net (see note 27)	(74,124)	(1,803,001)
Transfers (to) / from property, plant and equipment (see note 14)	(100,000)	1,270,150
Arising on transfer of subsidiaries (to) / from the Government (see note 12)	(141,943,753)	143,906,183
Transfer from development property (see note 17)	194,796	730,214
Transfers to inventory	(158,555)	(10,505)
Disposals during the year (see note 16.3 and 16.4 below)	(685,163)	(5,653,408)
Other movements	-	(20,356)
At 31 December	<u>9,125,767</u>	<u>151,298,673</u>
<b>Accumulated depreciation and impairment:</b>		
Balance at the beginning of the year	1,779,336	605,780
Depreciation and impairment charge for the year (see note 11)	966,742	661,515
Relating to disposals during the year	-	(3,940)
Arising on transfer of subsidiaries (to) / from the Government (see note 12)	(877,561)	456,566
Transfers to inventory	(1,694)	-
Transfers from property, plant and equipment (see note 14)	-	95,027
Other movements	-	(35,612)
At 31 December	<u>1,866,823</u>	<u>1,779,336</u>
<b>Net book value:</b>		
At 31 December	<u><u>7,258,944</u></u>	<u><u>149,519,337</u></u>

16.1 During 2010, the Group was not in a position to determine precisely the fair values of its investment and other properties as at the year end on the basis of independent observable data. This was mainly due to the result of the global economic crisis, due to which level of transactions in the real estate market of the region including the Emirate of Dubai during the last few years were very low. These conditions indicated the existence of an inactive market in the real estate sector of the Emirate of Dubai in 2010.

However, management of the Group believed that the fair values of the Group’s investment and other properties had not declined below their carrying values as at 31 December 2010. This assessment was based on management’s estimates of fair value, based on valuation techniques using a combination of observable and other model inputs, for a sample of the properties owned by the Group.

Investment Corporation of Dubai and its subsidiaries

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Investment Corporation of Dubai and its subsidiaries

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**17 DEVELOPMENT PROPERTIES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>Cost:</b>		
Balance at the beginning of the year	2,055,966	1,330,902
Arising on transfer of a subsidiary (see note 12)	-	1,137,139
Additions during the year	55,883	629,821
Transfers to property, plant and equipment (see note 14)	(348,767)	(19,055)
Transfers to cost of sales	-	(259)
Transfers to inventory	(63,833)	(284,752)
Disposals during the year (see note below)	(1,142,876)	-
Transfers to investment properties (see note 16)	(194,796)	(730,214)
Capital advances utilised during the year	(6,063)	(7,616)
At 31 December	<u>355,514</u>	<u>2,055,966</u>
<b>Accumulated impairment:</b>		
Balance at the beginning of the year	19,300	19,300
Impairment during the year (see note 11)	40,305	-
At 31 December	<u>59,605</u>	<u>19,300</u>
<b>Net book value:</b>		
At 31 December	<u><u>295,909</u></u>	<u><u>2,036,666</u></u>

**18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Investment in associates	26,895,216	26,010,284
Investment in joint ventures	3,251,523	1,710,845
	<u>30,146,739</u>	<u>27,721,129</u>

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Balance at the beginning of the year	27,721,129	33,172,842
Arising on transfer of a subsidiary (see note 12(b))	-	12,657
Investments made during the year	1,769,499	59,553
Arising on account of business combination (see note 13)	18,781	45,280
Share in results of associates and joint ventures (net)	2,498,223	1,316,837
Loss/liability in excess of cost of investment recognised as a liability	(584,806)	127,899
Dividends received	(800,113)	(605,907)
Dilution in investments (see note (a))	-	(5,833,941)
Impairment on investment in associates and joint ventures - net (see note 7)	(756,954)	(875,871)
Transfer from available for sale investments during the year and further investments in such associates during the year (see note (b))	757,162	-
Liquidation of investments	(7,790)	(89,140)
Assets classified as held for sale (see note 26)	-	(2,637)
Amounts recognised directly in equity		
- Translation difference	(220,069)	(96,694)
- Cumulative changes in fair value	(138,339)	339,531
- Directors' fees	(2,995)	(2,630)
- Cost of share based payments	-	143
- Others	(106,989)	153,207
At 31 December	<u><u>30,146,739</u></u>	<u><u>27,721,129</u></u>

a) On 16 December 2010, one of the subsidiaries of the Group entered into series of transactions with 2 financial institutions and NASDAQ OMX to dispose of 31 million shares of NASDAQ OMX. This dilution in investments resulted in recognition of a loss of AED 3,368,894 thousand calculated as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Proceeds on dilution of investments	-	2,465,047
Less: carrying amount of the investment at the date of dilution	-	(5,833,941)
Loss on dilution	<u><u>-</u></u>	<u><u>3,368,894</u></u>

Loss in respect of associates and joint ventures included in the consolidated income statement represents the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Share in results of associates and joint ventures (net)	2,498,223	1,316,837
Loss on dilution in investment (see note (a) above)	-	(3,368,894)
	<u><u>2,498,223</u></u>	<u><u>(2,052,057)</u></u>

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

- b) During the current year, ICD agreed with the other shareholders (related parties) of an investee company that the consideration in respect of the support provided by ICD amounted to AED 291 million. All the shareholders, with the exception of one shareholder which was an ICD subsidiary, agreed to transfer a certain proportion of their investment in the investee company to ICD as a consideration for the above support, and accordingly ICD recorded an amount of AED 233 million as other income. For the shareholder that was an ICD subsidiary, it was agreed between ICD and the shareholder that the amount of AED 58 million be waived and the consideration be distributed in the form of a dividend. The dividend was recorded at its fair value of AED 111 million.

As a result of above arrangement, whereby the related parties of ICD transferred / distributed their share in the investee company to ICD, ICD's direct stake in the investee company increased above 20%. Management believes that as a result of this arrangement ICD now exercises significant influence over such investee and therefore should account for such investment as an investment in associate. This has been accounted for as a deemed disposal of an available-for-sale investment as required by International Financial Reporting Standards and an amount of AED 98 million has been recorded as a gain on sale of available-for-sale investment in the consolidated income statements of the Group.

Summarised financial information relating to associates is as follows (100% basis):

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Total assets	<u><b>1,055,472,833</b></u>	<u>932,937,911</u>
Total liabilities	<u><b>970,147,413</b></u>	<u>851,183,423</u>
Revenue	<u><b>45,789,095</b></u>	<u>45,213,367</u>
Profit	<u><b>5,760,080</b></u>	<u>4,605,349</u>

The Group's share of joint ventures' assets and liabilities as at 31 December and revenue and profit for the year then ended is as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Current assets	<u><b>3,965,501</b></u>	<u>2,766,268</u>
Non-current assets	<u><b>12,319,887</b></u>	<u>12,170,351</u>
Current liabilities	<u><b>7,462,827</b></u>	<u>1,505,224</u>
Non-current liabilities	<u><b>6,990,912</b></u>	<u>12,348,330</u>
Revenue	<u><b>11,767,762</b></u>	<u>3,928,133</u>
Profit for the year	<u><b>1,005,141</b></u>	<u>21,334</u>

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 18 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b>Associates</b>		
Emaar Properties PJSC	<b>4,880,941</b>	6,352,852
Dubai Islamic Bank PJSC	<b>2,196,020</b>	2,467,692
Commercial Bank of Dubai PSC	<b>1,125,947</b>	1,343,371
Emirates Refreshment Company	<b>36,300</b>	36,300
Dubai Development Company PSC	<b>5,600</b>	5,600
Union Properties PJSC	<b>416,518</b>	608,869
Nasdaq OMX group Inc.	<b>2,682,750</b>	2,598,225
London Stock Exchange Plc.	<b>2,543,100</b>	2,690,100

The carrying value of the above associates is AED 23,169,468 thousand (2010: AED 23,723,566 thousand).

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.

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. Impairment losses recorded in the consolidated income statement mainly includes impairment in the carrying value of Union Properties PJSC amounting to AED 676,000 thousand (2010: AED 515,871 thousand in respect of the carrying value of Nasdaq OMX Group Inc).



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**19 INVESTMENTS IN MARKETABLE SECURITIES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<i>Available-for-sale investments</i>		
Equities – quoted	<b>3,032,821</b>	2,243,352
Equities – unquoted	<b>2,185,163</b>	1,978,336
Government bonds	<b>3,528,330</b>	2,665,138
Corporate bonds	<b>7,918,632</b>	5,820,046
Others (including mutual funds)	<b>1,951,091</b>	4,186,871
	<b>18,616,037</b>	16,893,743
<i>Held-to-maturity</i>		
Corporate bonds	<b>338,891</b>	295,087
Government bonds	<b>809,575</b>	723,990
	<b>1,148,466</b>	1,019,077
<i>Fair value through profit or loss</i>		
Equities	<b>256,687</b>	45,579
Hybrid instruments	<b>11,436</b>	6,237
Government bonds	<b>49,991</b>	187,101
Corporate bonds	<b>97,576</b>	1,005,459
Others (including mutual funds)	<b>839,080</b>	1,290,625
	<b>1,254,770</b>	2,535,001
<b>Total investment in marketable securities</b>	<b>21,019,273</b>	20,447,821
Disclosed as follows:		
Non-current assets	<b>17,159,915</b>	15,452,097
Current assets	<b>3,859,358</b>	4,995,724
	<b>21,019,273</b>	20,447,821

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 19 INVESTMENTS IN MARKETABLE SECURITIES (continued)

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

	<b>2011</b> <b>AED'000</b>	<b>2010</b> <b>AED'000</b>
Change in fair value of available-for-sale investments recognised in equity	<b>276,045</b>	1,007,707
Change in investments classified as fair value through profit or loss (see note 5)	<b>13,441</b>	(60,357)

The available-for-sale investments includes securities with a carrying value of AED 186,805 thousand (2010: AED 892,309 thousand) that have been pledged under a repurchase agreement (see note 37).

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

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

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

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

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

	<b>31 December</b> <b>2011</b> <b>AED'000</b>	<b><u>Financial instruments carried at fair value</u></b>		
		<b>Level 1</b> <b>AED'000</b>	<b>Level 2</b> <b>AED'000</b>	<b>Level 3</b> <b>AED'000</b>
Available for sale investments	18,616,037	13,493,686	2,050,567	3,071,784
Fair value through profit or loss	1,254,770	612,072	393,869	248,829
Derivative financial instruments - net (see note 32)	(94,945)	11,603	(106,228)	(320)
	<b>19,775,862</b>	<b>14,117,361</b>	<b>2,338,208</b>	<b>3,320,293</b>
	<b>31 December</b> <b>2010</b> <b>AED'000</b>	<b><u>Financial instruments carried at fair value</u></b>		
		<b>Level 1</b> <b>AED'000</b>	<b>Level 2</b> <b>AED'000</b>	<b>Level 3</b> <b>AED'000</b>
Available for sale investments	16,893,744	10,557,624	2,314,142	4,021,978
Fair value through profit or loss	2,535,001	1,841,793	597,432	95,776
Derivative financial instruments - net (see note 32)	(92,016)	(67,992)	(33,444)	9,420
	<b>19,336,729</b>	<b>12,331,425</b>	<b>2,878,130</b>	<b>4,127,174</b>

During 2010, financial instruments with a carrying of AED 349 million were transferred from Level 1 to Level 2 because quoted prices in the market for such securities were no longer regularly available. In order to determine the fair value of such securities, management used a valuation technique in which all significant inputs were based on observable market data. Further, during 2010, financial instruments with a carrying value of AED 2,606 million were transferred from Level 2 to Level 1 as quoted prices became available for certain investments which were previously not available. No such transfers were made during 2011.

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19 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:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Opening balance	4,127,174	5,047,051
Additional investments made during the year	423,411	378,923
Disposals during the year	(1,195,598)	(492,984)
Deemed disposals during the year (see note 18(b))	314,868	-
Fair value movement during the year taken to consolidated income statement	105,834	(20,581)
Fair value movement during the year taken to equity	(7,747)	(24,274)
Transfers out of Level 3	(132,781)	(760,961)
Closing balance	<u>3,320,293</u>	<u>4,127,174</u>

#### Reclassification out of trading securities

As allowed by IAS 39 (amended), certain reclassifications were made from trading securities to available for sale investment securities with effect from 1 July 2008 at fair value at that date. In addition, some trading securities purchased after 1 July 2008 were also subsequently identified for reclassification. The table below sets out the trading securities reclassified and their carrying and fair values.

	<i>31 December 2011</i>		<i>31 December 2010</i>		<i>1 July 2008</i>	
	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>	<i>Carrying value AED'000</i>	<i>Fair value AED'000</i>
Trading securities reclassified to available for sale investment securities	393,384	393,384	378,518	378,518	993,491	993,491
	<u>393,384</u>	<u>393,384</u>	<u>378,518</u>	<u>378,518</u>	<u>993,491</u>	<u>993,491</u>

The table below sets out the amounts recognised in the consolidated income statement and equity in respect of financial assets reclassified out of trading securities into available-for-sale investment securities:

	<i>Consolidated income statement AED'000</i>	<i>Consolidated Equity AED'000</i>
<b>Period before reclassification (30 June 2008)</b>		
Net trading loss	(16,661)	-
	<u>(16,661)</u>	<u>-</u>
<b>Period after reclassification (1 July 2008 – 31 December 2011)</b>		
Interest income	95,000	-
Net changes in fair value	-	(8,496)
	<u>95,000</u>	<u>(8,496)</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 19 INVESTMENTS IN MARKETABLE SECURITIES (continued)

The table below sets out the amounts that would have been recognised during 2011, had the reclassifications not been made:

	<i>Period after reclassification 2011 AED'000</i>
Net trading profit	<u><u>30,829</u></u>

### 20 OTHER NON-CURRENT ASSETS

	<i>2011 AED'000</i>	<i>2010 AED'000</i>
Loans receivable	92,811	2,951,452
Loans to related parties (see note 39)	6,319,052	4,638,611
Receivables from other related parties (see notes 39 and 20.1)	6,060,776	7,326,930
Advance lease rentals (see note 20.2)	428,143	435,598
Long term retentions	21,348	33,598
Other advances	-	228,845
Other receivables	2,514,144	1,175,866
	<u>15,436,274</u>	<u>16,790,900</u>
Less: provision for impairment (see note 20.3)	<u>(918,750)</u>	<u>-</u>
	<u><u>14,517,524</u></u>	<u><u>16,790,900</u></u>

20.1 One of the subsidiaries of the Group is required to provide retail gasoline at a fixed price in Dubai and Northern Emirates which resulted in a cost overrun of AED 2,375,153 thousand (2010: AED 1,472,940 thousand) from retail marketing activities. Included in the amounts receivable from related party is an amount of AED 5,586,735 thousand (2010: AED 3,211,582 thousand) due from the Government of Dubai representing receivable in respect of such cost overrun relating to 2011 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 2,375,153 thousand (2010: AED 1,472,940 thousand) has been adjusted against product purchases in the consolidated income statement (see note 4). The outstanding balance is subject to interest at the rate of EIBOR plus 150 basis points effective 1 January 2011. The interest on outstanding receivable for the year ended 31 December 2011 amounted to AED 116,497 thousand (2010: AED Nil).

# Investment Corporation of Dubai and its subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 20 OTHER NON-CURRENT ASSETS (continued)

#### 20.2 Movement in advance lease rentals

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Opening balance	531,480	226,365
Additions during the year	99,873	354,960
Charge for the year	(97,700)	(52,080)
Translation differences	(186)	2,235
Balance at 31 December	<u>533,467</u>	<u>531,480</u>

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Within one year (see note 22)	105,324	95,882
Over one year	428,143	435,598
	<u>533,467</u>	<u>531,480</u>

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

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Transferred from impairment loss on trade and other receivables (see note 22)	918,750	-
At 31 December	<u>918,750</u>	<u>-</u>

### 21 INVENTORIES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Finished goods / inventory property	5,270,056	3,675,371
Raw materials	1,287,196	1,362,577
Spare parts and consumables	1,217,501	1,217,242
Work-in-progress	541,711	512,314
Engineering	594,191	562,598
Goods in-transit	574,572	372,205
Consumer goods	237,527	205,790
Others	173,966	204,321
Provision for slow moving inventories	<u>9,896,720</u> <u>(260,275)</u>	<u>8,112,418</u> <u>(246,042)</u>
	<u>9,636,445</u>	<u>7,866,376</u>

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**22 TRADE AND OTHER RECEIVABLES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Trade receivables	<b>11,781,353</b>	10,939,587
Contract receivables	<b>76,366</b>	87,398
Retentions receivable - current portion	<b>87,081</b>	41,815
Prepayments and other receivables	<b>3,590,804</b>	5,039,022
Amounts receivable from related parties (see note 39)	<b>8,894,792</b>	3,031,777
Accrued interest receivable	<b>1,648,288</b>	1,608,934
Advances to suppliers	<b>277,566</b>	90,366
Operating lease deposits	<b>834,859</b>	837,545
Advance lease rentals (see note 20)	<b>105,324</b>	95,882
	<b>27,296,433</b>	21,772,326
Less: provision for impairment of receivables (see note below)	<b>(406,365)</b>	(1,531,437)
	<b>26,890,068</b>	20,240,889

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Balance at the beginning of the year	<b>1,531,437</b>	431,106
Charge for the year (see notes 7 and 22.1)	<b>150,139</b>	1,107,369
Amounts written off	<b>(100,989)</b>	(130,077)
Reversal during the year (see notes 7)	<b>(79,592)</b>	(58,285)
Arising on transfer of a subsidiary (to) / from the Government	<b>(175,739)</b>	182,236
Translation differences	<b>(141)</b>	(912)
Transferred to impairment loss on other non-current asset (see note 20)	<b>(918,750)</b>	-
At 31 December	<b>406,365</b>	1,531,437

22.1 Charge for the year includes an amount of AED 35,760 thousand (2010: AED 28,503 thousand), which forms part of discontinued operations (see note 12 (a)).

**23 ISLAMIC FINANCING AND INVESTMENT PRODUCTS**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Murabaha	<b>11,645,843</b>	4,895,949
Ijara	<b>8,146,868</b>	6,407,413
Sukuk	<b>1,285,550</b>	1,285,550
Wakala	<b>7,127,272</b>	5,388,101
Mudaraba	-	-
Istisna'a	<b>1,087,428</b>	1,570,624
Secured overdraft and credit cards receivable	<b>739,701</b>	531,474
Others	<b>1,390,749</b>	1,130,674
	<b>31,423,411</b>	21,209,785
Less: Deferred income	<b>(787,648)</b>	(577,119)
Less: Allowance for impairment (see note below)	<b>(1,423,180)</b>	(861,062)
	<b>29,212,583</b>	19,771,604

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At 31 December 2011

**23 ISLAMIC FINANCING AND INVESTMENT PRODUCTS (continued)**

	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Analysis by economic activity:</i>		
Services and personal loans	<b>12,263,092</b>	5,967,535
Construction	<b>8,942,477</b>	9,541,426
Trade	<b>1,217,967</b>	714,382
Financial services	<b>7,238,015</b>	3,753,760
Transport and communication	<b>183,484</b>	196,906
Manufacturing	<b>384,066</b>	390,499
Agriculture and allied activities	<b>457</b>	675
Others	<b>1,193,853</b>	644,602
	<b>31,423,411</b>	21,209,785
Less: Deferred income	<b>(787,648)</b>	(577,119)
Less: Allowance for impairment (see note below)	<b>(1,423,180)</b>	(861,062)
	<b>29,212,583</b>	19,771,604
Disclosed as follows:		
Non-current assets	<b>16,622,589</b>	11,787,098
Current assets	<b>12,589,994</b>	7,984,506
	<b>29,212,583</b>	19,771,604
<i>Movement in allowance for impairment:</i>		
	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
Balance at the beginning of the year	<b>861,062</b>	539,014
Allowance for impairment made during the year (see note 7)	<b>564,166</b>	283,319
Write off during the year	<b>(28,433)</b>	-
Arising on transfer of subsidiaries during the year	-	38,729
Transfer from allowance for impairment against loans and receivables (see note 24)	<b>8,393</b>	-
Other transfers	<b>17,992</b>	-
At 31 December	<b>1,423,180</b>	861,062

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 24 LOANS AND RECEIVABLES

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Overdrafts	70,128,144	68,175,059
Time loans	100,742,161	101,419,693
Loans against trust receipts	2,978,058	2,564,316
Bills discounted	2,180,705	1,110,205
Others	3,752,208	3,302,028
	<u>179,781,276</u>	<u>176,571,301</u>
Other debt instruments	501,786	659,562
Less: allowance for impairment (see note below)	(11,484,232)	(7,499,727)
Net loans and receivables	<u>168,798,830</u>	<u>169,731,136</u>
Disclosed as follows:		
Non-current assets	76,348,007	80,888,516
Current assets	92,450,823	88,842,620
	<u>168,798,830</u>	<u>169,731,136</u>
Total of classified advances on which interest is not taken into consolidated income statement amounted to:	<u>26,800,238</u>	<u>18,902,512</u>

Included in loans and receivables are other debt instruments of AED 2,332,855 thousand (2010: AED Nil) that have been pledged under repurchase agreements (see note 37).

Loans and receivables includes AED 64,995,404 thousand (2010: AED 61,824,483 thousand) due from related parties (see note 39).

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b><i>By segment:</i></b>		
Corporate Banking	150,575,024	152,037,607
Consumer Banking	17,916,655	17,298,906
Treasury	307,151	394,623
	<u>168,798,830</u>	<u>169,731,136</u>
<b><i>Analysis by economic activity:</i></b>		
Services	39,887,206	39,585,789
Personal	30,430,884	31,519,883
Sovereign	56,877,592	52,079,832
Construction	32,336,244	30,685,277
Manufacturing	5,384,523	7,288,722
Trade	5,280,299	4,520,840
Transport and communication	3,538,162	4,181,934
Mining	897,868	273,336
Agriculture and allied activities	21,115	36,076
Others	5,629,169	7,059,174
	<u>180,283,062</u>	<u>177,230,863</u>
Less: allowance for impairment (see note below)	(11,484,232)	(7,499,727)
Net loans and receivables	<u>168,798,830</u>	<u>169,731,136</u>



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 24 LOANS AND RECEIVABLES (continued)

#### *Movement in allowance for impairment*

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Balance at the beginning of the year	7,499,727	5,409,321
Allowance for impairment made during the year (net of recoveries of AED 705,784 thousand (2010: AED 88,795 thousand)) (see note 7)	4,130,568	2,563,702
Amounts written-off during the year	(14,370)	(473,296)
Interest unwind on impaired loans and receivables	(106,952)	-
Transfer to allowance for impairment against Islamic financing and investment products (see note 23)	(8,393)	-
Other transfers	(16,348)	-
At 31 December	<u>11,484,232</u>	<u>7,499,727</u>

#### *Loan Securitisation*

#### **Incorporation of Emirates NBD Auto Finance Limited and Emirates NBD Auto Financing Limited for assets securitisation**

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

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

On 10 August 2010, one of the subsidiaries of the Group involved in banking operations transferred retail auto loans and receivables amounting to AED 966 million to APC as at 31 December 2010. However, the Group has retained the credit risk associated with the transferred assets. Due to retention of the risks and rewards of the transferred assets, the Group continues to recognise these assets within loans and receivables and transfers are accounted for as secured financing transactions. The associated liability of AED 857 million, secured by these assets, is included under debt issued and other borrowed funds and is carried at amortised cost. Since the Group is exposed to a majority of ownership risk and rewards in respect of these special purpose entities (SPE), the SPEs are consolidated in compliance with SIC Interpretations 12 – Consolidation – special purpose entities.

As at 31 December 2011, the auto loans and receivables balance transferred to APC is AED 971 million and the associated liability secured by these assets and included under borrowing and lease liability is AED 907 million.

#### **Consolidation of the Group’s Tranche of Emblem Finance Company No. 2 Limited (multi-seller SPE) for assets securitisation**

On 22 November 2010, one of the subsidiaries of the Group transferred corporate loans and receivables amounting to AED 2,193 million to Emblem Finance Company No. 2 Limited (multi-seller SPE). The Group retained substantially all of the credit risk and rewards associated with the transferred assets and hence the Group 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 by these assets is included under debt issued and other borrowed funds and is carried at amortised cost.

Since the Group is exposed to a majority of ownership risks and rewards of this section of the multi-seller SPE, the Group tranche in the SPE is consolidated in compliance with SIC Interpretations 12 – Consolidation – special purpose entities.

As at 31 December 2011, the corporate loans and receivables balance transferred to Emblem Finance Company No. 2 Limited is AED 881 million and the associated liability secured by these assets and included under borrowing and lease liability is AED 880 million.

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25 CASH AND DEPOSITS WITH BANKS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b><u>Banking operations</u></b>		
<b>Cash and deposits with Central Bank</b>		
Cash	3,192,619	1,539,825
Interest free statutory and special deposits with Central bank (see note (a) below)	12,633,518	11,893,119
Interest bearing certificates of deposits with Central bank (see note (a) below)	5,700,000	24,250,000
<b>Total (A)</b>	<b>21,526,137</b>	<b>37,682,944</b>
<b>Due from other banks</b>		
Overnight, call and short notice	8,213,309	2,414,652
Time loans	11,669,283	11,463,305
Less: allowance for impairment	(31,013)	(27,490)
<b>Total (B)</b>	<b>19,851,579</b>	<b>13,850,467</b>
<b>Total (C = A+B)</b>	<b>41,377,716</b>	<b>51,533,411</b>
<b><u>Non-banking operations</u></b>		
Cash at bank and in hand	3,478,653	2,505,644
Placements with banks and other financial institutions	497,437	1,161,157
Short-term deposits	17,164,289	21,410,696
<b>Total (D)</b>	<b>21,140,379</b>	<b>25,077,497</b>
<b>Total (C+D)</b>	<b>62,518,095</b>	<b>76,610,908</b>
Disclosed as follows:		
Non-current assets	1,925,820	18,357
Current assets	60,592,275	76,592,551
	<b>62,518,095</b>	<b>76,610,908</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 25 CASH AND DEPOSITS WITH BANKS (continued)

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents include the following:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Cash and deposits with banks - current	<b>60,592,275</b>	76,592,551
Islamic financing and investment products with original maturity of less than three months	<b>1,834,995</b>	-
Due to banks (see note 31)	<b>(26,105,233)</b>	(18,856,725)
Bank overdrafts (see note 31)	<b>(604,188)</b>	(961,912)
	<b>35,717,849</b>	56,773,914
Due to banks with original maturity of more than three months	<b>3,707,765</b>	1,909,777
Deposits with Central Bank for regulatory purposes	<b>(18,333,518)</b>	(36,143,119)
Deposits with other banks with original maturity of more than three months	<b>(12,040,628)</b>	(13,984,494)
	<b>9,051,468</b>	8,556,078

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

#### 26 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 31 March 2011, one of the subsidiaries of the Group completed the sale of a 49% shareholding in Network International LLC, an indirect subsidiary of the Group, for a net consideration of AED 1,366 million. The gross assets and liabilities of Network International LLC were disclosed as held for sale as at 31 December 2010 in accordance with IFRS 5 – Non-current assets held for sale and discontinued operations following the signing of the share purchase agreement with a strategic investor.

The consideration for the sale has been part financed in cash and part by a term loan of AED 707 million from the Group to the purchaser. The sale transaction gave rise to a net gain on disposal of AED 957 million.

The term loan of AED 707 million has been discounted at the cost of equity of the subsidiary of the Group resulting in an un-amortised gain which will be recognised in the consolidated income statement over the tenor of the loan (5 years).

	<i>AED in millions</i>
Net consideration received	1,366
Carrying value of share of net assets on date of disposal	(409)
Realised gain on disposal of 49% shareholding in Network International LLC	<b>957</b>

As a result of such sale, the Group lost control over Network International LLC and is now classified as a joint venture. The fair value of the retained stake of 51% in Network International LLC (joint venture) was estimated at AED 1,282 million as of 31 March 2011. The fair value gain on measurement of the retained shareholding was AED 856 million which has been recognised in the consolidated income statement.

## Investment Corporation of Dubai and its subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 26 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

The following are the gross assets and liabilities of Network International LLC as at 31 December 2010:

	<i>2010</i> <i>AED'000</i>
<b>Assets classified as held for sale</b>	
Property, plant and equipment (see note 14)	182,585
Intangible assets (see note 15)	26,733
Investment in associates and joint venture (see note 18)	2,637
Investment in marketable securities	69,073
Other non-current assets	521,867
Cash and deposits with banks	24,934
	<u>827,829</u>
<b>Liabilities directly associated with assets classified as held for sale</b>	
Trade and other payables	483,673
Borrowings and lease liabilities	44
	<u>483,717</u>

#### 27 CAPITAL

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Balance at the beginning of the year	<b>224,394,919</b>	64,493,777
Transfer of entities under common control (see note 12)	-	161,944,470
Transfer of freehold land contributed by the Government (see note (a) below)	<b>80,396</b>	1,690,002
Return of capital to the Government (see note (b) below)	<b>(154,520)</b>	(3,733,330)
Transfer of a subsidiary back to the Government (see note 12)	<b>(160,067,346)</b>	-
	<u><b>64,253,449</b></u>	<u>224,394,919</u>

a) This represents capital contribution in the form of title of certain properties transferred by the Government to the Group. The properties were transferred at AED 80,396 thousand (2010: AED 1,690,002 thousand) being their fair values on the transfer date. These were included in investment properties in the consolidated statement of financial position.

b) During the current year, one of the subsidiaries of ICD repaid part of its capital by transfer of investment properties having a carrying value of AED 154,520 thousand (2010: AED 3,493,003 thousand) to ICD. These were transferred onwards by ICD to the Government and were treated as repayment of capital. During 2010 another subsidiary of ICD repaid part of its capital by transfer of assets having a carrying value of AED 240,327 thousand. Such assets were transferred onwards by ICD to the Government and were treated as repayment of capital to the Government.

#### 28 DISTRIBUTION TO THE GOVERNMENT

The distributions totalling AED 4,994,600 thousand (2010: AED 4,922,300 thousand) were paid based on directives received from the Government.

## Investment

### 29 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 2011	1,157,329	451,646	8,444,933	17,267	2,832,628	309,247	9,340	(669,802)	(168,212)	12,384,376
Unrealised (loss)/gain on available-for-sale investments	-	-	-	-	291,121	-	-	-	-	291,121
- ICD and its subsidiaries	-	-	-	-	(97,395)	-	-	-	-	(97,395)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
(Loss) / gain on hedging instruments (net)	-	-	-	-	43,131	-	-	-	-	43,131
- ICD and its subsidiaries	-	-	-	-	(15,899)	-	-	-	-	(15,899)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	(42,297)	-	(42,297)
- ICD and its subsidiaries	-	-	-	-	-	-	-	(212,477)	-	(212,477)
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Total income and expense for the year recognised directly in equity	-	-	-	-	220,958	-	-	(254,774)	-	(33,816)
Transfer from / (to) retained earnings	205,166	-	-	-	-	-	(1,231)	-	(22,355)	181,580
Other movements	-	7,806	-	-	-	-	-	-	4,949	12,755
<b>Total at 31 December 2011</b>	<b>1,362,495</b>	<b>459,452</b>	<b>8,444,933</b>	<b>17,267</b>	<b>3,053,586</b>	<b>309,247</b>	<b>8,109</b>	<b>(924,576)</b>	<b>(185,618)</b>	<b>12,544,895</b>

Investment Corporation of Dubai and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 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 2010	980,954	463,284	9,064,434	17,124	2,198,423	114,563	6,818	(701,436)	(206,327)	11,937,837
Unrealised gain on available-for-sale investments	-	-	-	-	468,276	-	-	-	-	468,276
- ICD and its subsidiaries	-	-	-	-	152,232	-	-	-	-	152,232
- Associates and joint ventures	-	-	-	-	(271,572)	-	-	-	-	(271,572)
(Loss) / gain on hedging instruments (net)	-	-	-	-	79,945	-	-	-	-	79,945
- ICD and its subsidiaries	-	-	-	-	-	-	-	-	-	-
- Associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	-	101,879	-	101,879
- ICD and its subsidiaries	-	-	-	-	-	-	-	(70,245)	-	(70,245)
- Associates and joint ventures	-	-	-	143	-	-	-	-	-	143
Other movements	-	-	-	-	-	-	-	-	-	-
Total income and expense for the year recognised directly in equity	176,375	4	-	143	428,881	-	-	31,634	-	460,658
Transfer from / (to) retained earnings	-	-	(23,862)	-	-	-	2,522	-	(2,135)	176,766
Acquisition of non-controlling interests	-	-	(595,639)	-	-	-	-	-	-	(23,862)
Investment in subsidiaries (see note 12)	-	(11,642)	-	-	205,324	194,684	-	-	-	(595,639)
Other movements	-	-	-	-	-	-	-	-	40,250	428,616
Total at 31 December 2010	1,157,329	451,646	8,444,933	17,267	2,832,628	309,247	9,340	(669,802)	(168,212)	12,384,376

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 29 OTHER RESERVES (continued)

##### Legal and statutory reserve

In accordance with the Articles of Association of the entities forming part of the Group, and the UAE Commercial Companies Law of 1984 (as amended), the entities, as applicable, have transferred 10% of the profit for the year to a non-distributable legal reserve and such transfers may be discontinued when the reserve equals 50% of the paid up capital of the respective entities incorporated under UAE 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 446,675 thousand (2010: AED 446,675 thousand) in respect of the Group's share of general reserve capitalised by one of the 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% holding) and NASDAQ Dubai Limited ("NASDAQ DUBAI") (formerly Dubai International Financial Exchange Limited) (100% holding) 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. No consideration was paid by Borse Dubai for the acquisition of DFM and NASDAQ Dubai and the entire issued and paid up share capital of the two entities was recognised as a merger reserve in equity in these consolidated financial statements.

Borse Dubai's share of the issued and paid up share capital of DFM and DIFX, aggregating AED 6,445,468 thousand (2010: AED 6,445,468 thousand), is secured against certain financing facilities (see note 31).

In accordance with Emiree Decree No. 35 of 2010 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 has been 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 2010, as explained in note 12(b), the other shareholders of National Bonds Corporation PJSC, resolved to transfer their shareholding 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 has been recognised in merger reserve.

##### Translation reserve

Translation reserve comprises 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 investment in foreign subsidiaries.

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 30 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Balance at beginning of the year	<b>1,094,893</b>	936,568
Arising on transfer of subsidiaries (see note 12)	<b>(61,789)</b>	76,982
Arising on business combination (see note 13)	-	10,251
Provision made during the year	<b>671,392</b>	557,343
End of service benefits paid	<b>(552,593)</b>	(491,669)
Other movements	<b>4,961</b>	5,418
	<hr/>	<hr/>
At 31 December	<b>1,156,864</b>	1,094,893
Less: current portion	<b>(831)</b>	(1,179)
	<hr/>	<hr/>
Non-current portion	<b>1,156,033</b>	1,093,714
	<hr/> <hr/>	<hr/> <hr/>

#### **Provident Scheme**

Designated permanent employees of certain subsidiaries are eligible to participate in provident schemes (the "Provident Scheme"). The entitlements accruing to the benefit of designated permanent employees are charged to the consolidated income statement and paid into the Provident Scheme on a monthly basis. The Provident Scheme's assets are managed by a third party asset manager.

The Group is obliged to ensure that the fair value of the employers' contribution element held by the Provident Scheme will not be lower than the designated individual employees' end of service benefits as prescribed by the UAE Labour Law. At the reporting date, the fair value of the cumulative employers' contribution element of the Provident Scheme was not less than the respective employees' entitlements under the UAE Labour Law.

#### **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.



# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 30 EMPLOYEES' END OF SERVICE BENEFITS (continued)

#### 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 2011, in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The assessment assumed expected salary increases averaging 5% (2010: 5%) and a discount rate of 5% (2010: 6%) per annum. The present values of the defined benefit obligations at 31 December 2011 were computed using the actuarial assumptions set out above.

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Present value of funded defined benefit obligations	<b>1,355,436</b>	1,241,237
Less: Fair value of plan assets (see note below)	<b>(1,274,934)</b>	(1,175,517)
	<b>80,502</b>	65,720
Present value of unfunded defined benefit obligations	<b>1,076,362</b>	1,029,173
Employee end of service benefits provision	<b>1,156,864</b>	1,094,893

#### (i) Funded schemes

Senior employees in certain subsidiaries based in the UAE participate in a defined benefit provident scheme (the "Fund") to which the Group contributes 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 value of the plan assets in respect of the funded scheme are as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
At the beginning of the year	<b>1,175,517</b>	924,806
Contributions made	<b>176,012</b>	180,241
Acquisition during the year	-	63,812
Benefits paid	<b>(55,315)</b>	(45,073)
Change in fair value	<b>(19,926)</b>	57,398
Proceeds from curtailment of provident fund scheme	-	(26,159)
Other movements	<b>(1,354)</b>	20,492
At 31 December	<b>1,274,934</b>	1,175,517

**30 EMPLOYEES' END OF SERVICE BENEFITS (continued)**

**Defined benefit obligations (continued)**

**(i) Funded schemes (continued)**

Contributions made include the transfer of accumulated benefits from unfunded schemes. The charge to the consolidated income statement arising from this scheme amounted to AED 263 million (2010: AED 161.2 million). The Group expects to contribute approximately AED 212 million for existing plan members during the year ending 31 December 2012.

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

**(ii) Unfunded schemes**

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

Investment Corporation of Dubai and its Subsidiaries

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At 31 December 2011

**31 BORROWINGS AND LEASE LIABILITIES**

	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
<b><u>Banking operations</u></b>		
<b>Non-current liabilities</b>		
Debts issued and other borrowed funds	7,172,190	15,617,072
Sukuk payable (Bonds)	-	1,267,185
<b>(A)</b>	<b>7,172,190</b>	<b>16,884,257</b>
<b>Current liabilities</b>		
Due to banks (see note 25)	26,105,233	18,856,725
Debts issued and other borrowed funds	8,464,677	3,798,737
Sukuk payable (Bonds)	1,239,181	-
<b>(B)</b>	<b>35,809,091</b>	<b>22,655,462</b>
<b>Total (C=A+B)</b>	<b>42,981,281</b>	<b>39,539,719</b>
<b><u>Non-banking operations</u></b>		
<b>Non-current liabilities</b>		
Bonds	5,744,442	4,070,981
Bank borrowings	12,864,050	13,184,718
Loan from Government, MOF and other related parties	13,993,419	14,113,419
Finance lease liabilities	18,310,173	15,713,266
Loans from associates and joint ventures	1,224,334	1,417,333
<b>(D)</b>	<b>52,136,418</b>	<b>48,499,717</b>
<b>Current liabilities</b>		
Bank borrowings	6,406,957	19,350,595
Finance lease liabilities	2,251,253	1,276,795
Bank overdrafts (see note 25)	604,188	961,912
Loans from associates and joint ventures	18,191	2,523,858
Bonds	6,791,441	6,577,031
Loans from Government and other related parties	401,000	368,000
<b>(E)</b>	<b>16,473,030</b>	<b>31,058,191</b>
<b>Total (F=D+E)</b>	<b>68,609,448</b>	<b>79,557,908</b>
	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
Disclosed as follows:		
Non-current liabilities (A+D)	59,308,608	65,383,974
Current liabilities (B+E)	52,282,121	53,713,653
	<b>111,590,729</b>	<b>119,097,627</b>

Investment Corporation of Dubai and its Subsidiaries  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 At 31 December 2011

**31 BORROWINGS AND LEASE LIABILITIES (continued)**

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

**2011**

	<i>Notes</i>	<i>Year of maturity</i>	<i>Face value AED'000</i>	<i>Carrying value AED'000</i>
Debts issued and other borrowed funds	31(a)	2012-2020	<b>15,636,867</b>	<b>15,636,867</b>
Due to banks (see note 25)	31(b)	2012	<b>26,105,233</b>	<b>26,105,233</b>
Bank borrowings	31(c)	2014-2017	<b>19,271,007</b>	<b>19,271,007</b>
Loans from Government, MOF and other related parties (see note 39)	31(d)	various upto 2015	<b>14,394,419</b>	<b>14,394,419</b>
Loans from associates and joint ventures (see note 39)	31(e)	various upto 2013	<b>1,242,525</b>	<b>1,242,525</b>
Bonds (including sukuk)	31(f)	various upto 2016	<b>13,775,064</b>	<b>13,775,064</b>
Finance lease liabilities	31(g)	2012-2022	<b>20,561,426</b>	<b>20,561,426</b>
Bank overdrafts (see note 25)		2012	<b>604,188</b>	<b>604,188</b>
			<b>111,590,729</b>	<b>111,590,729</b>

**2010**

	<i>Notes</i>	<i>Year of maturity</i>	<i>Face value AED'000</i>	<i>Carrying value AED'000</i>
Debts issued and other borrowed funds	31(a)	2011-2020	19,415,809	19,415,809
Due to banks (see note 25)	31(b)	2011-2012	18,856,725	18,856,725
Bank borrowings	31(c)	2014-2015	32,535,313	32,535,313
Loans from Government, MOF and other related parties (see note 39)	31(d)	various upto 2015	14,481,419	14,481,419
Loans from associates and joint ventures (see note 39)	31(e)	2011-2019	3,941,191	3,941,191
Bonds (including sukuk)	31(f)	various upto 2012	11,915,197	11,915,197
Finance lease liabilities	31(g)	2011-2021	16,990,061	16,990,061
Bank overdrafts (see note 25)		2011	961,912	961,912
			<b>119,097,627</b>	<b>119,097,627</b>

The above interest bearing loans are in various currencies.

*a) Debts issued and other borrowed funds*

	<b>2011 AED'000</b>	<b>2010 AED'000</b>
Euro medium-term note programme	<b>8,340,640</b>	10,856,743
Syndicated borrowings with banks	<b>5,508,750</b>	5,508,750
Borrowing raised from loan securitisation (see note 24)	<b>1,787,477</b>	3,050,316
	<b>15,636,867</b>	<b>19,415,809</b>

Investment Corporation of Dubai and its Subsidiaries  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 At 31 December 2011

**31 BORROWINGS AND LEASE LIABILITIES (continued)**

*a) Debts issued and other borrowed funds (continued)*

The repayment profile of above is as follows:

	<i>2011</i> <i>AED in millions</i>	<i>2010</i> <i>AED in millions</i>
2011	-	3,799
2012	<b>8,465</b>	8,051
2013	<b>1,972</b>	1,036
2014	<b>231</b>	244
2015	<b>880</b>	2,193
2016	<b>618</b>	1,892
2018	<b>2,564</b>	1,344
2020	<b>907</b>	857
	<b>15,637</b>	19,416

The effective interest rate on the above is 1.6 % per annum (2010: 1.6%)

The medium term note programme includes the subordinated notes issued with the following terms and conditions:

	<i>2011</i> <i>AED in millions</i>	<i>2010</i> <i>AED in millions</i>
USD 500 million 10 year lower tier II floating rate subordinated notes, non-call 5 yr and due 2016	<b>320</b>	1,273
USD 500 million 10 yr lower tier II floating rate subordinated notes, non-call 5 yr and due 2016	<b>298</b>	619
AED 1,000 million 10 yr lower tier II floating rate subordinated notes, non-call 5 yr and due 2018	<b>903</b>	904
AED 440 million 10 yr lower tier II floating rate subordinated notes, non-call 5 yr and due 2018	<b>440</b>	440
	<b>1,961</b>	3,236

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 31 BORROWINGS AND LEASE LIABILITIES (continued)

##### a) *Debts issued and other borrowed funds (continued)*

The above liabilities will, in the event of the winding up of the issuer (a subsidiary of the Group), be subordinated to the claims of depositors and all other creditors of the issuer.

The Group has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities during the current or prior year.

##### b) *Due to banks*

These balances comprise demand and call deposits of AED 2,902,848 thousand (2010: AED 3,426,843 thousand), balances with correspondent banks of AED 2,136,992 thousand (2010: AED 1,016,882 thousand) and time and other deposits of AED 21,065,393 thousand (2010: AED 14,413,000 thousand) received by the Group's banking operations from other banks.

##### c) *Bank borrowings*

Bank borrowings include:

- AED 7,071,325 thousand (2010: AED 5,672,536 thousand) at rates ranging from 2.75 % to 3.5 % per annum (2010: 3.3 % to 3.85 %). 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 reprising dates are set at the option of the Group on the basis of 1 / 3 or 6 months LIBOR / EIBOR.
- AED 2,737,343 thousand (2010: AED 3,696,113 thousand) being unsecured term loans carrying interest at LIBOR plus margin. These loans are repayable over a period upto 2015 (2010: period upto 2015).

USD 167,000 thousand (2010: USD 500,000 thousand) and AED 306,083 thousand (2010: AED 2,754,750 thousand) being Islamic Commodity Syndicated Facility ("ICSF"). This facility was repayable in two tranches, 2/3 of the total AED and USD portion (Tranche 1) was paid in August 2011 and 1/3 of the AED and USD portion (Tranche 2) is repayable in August 2013. Tranche 1 carried profit at the rate of 1.25% over LIBOR and EIBOR on the USD and AED borrowings, respectively, and Tranche 2 carries a profit rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively.

USD 958,000 thousand (2010: USD 2,875,000 thousand) and AED 765,208 thousand (2010: AED 2,295,625 thousand) being Conventional Syndicated Facility ("CSF"). This facility was repayable in two tranches, 2/3 of the total AED and USD portion (Tranche 1) was paid in August 2011 and 1/3 of the AED and USD portion (Tranche 2) is repayable in August 2013. Tranche 1 carried interest at the rate of 1.25% over LIBOR and EIBOR on the USD and AED borrowings, respectively, and Tranche 2 carries a interest rate of 1.5% over LIBOR and EIBOR on USD and AED denominated borrowing respectively.

- USD 733,000 thousand (2010: USD Nil) and AED 183,650 thousand (2010: AED Nil) being bilateral facilities borrowed during the year from various financial institutions is repayable in 2016. These facilities carry an interest rate of 2.95% over LIBOR and EIBOR on the USD and AED facility respectively.
- AED 3,886,118 thousand included as at 31 December 2010 carrying interest at variable rates and secured against investment in associates and share capital of subsidiaries. This loan was fully repaid in current year.
- Other borrowings are primarily unsecured, and contain various banking covenants, which were complied with as at the year end.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 31 BORROWINGS AND LEASE LIABILITIES (continued)

#### d) Loans from Government, MOF and other related parties

This includes various loans from related parties as follows:

- During prior years, ICD obtained finance from Government of AED 4 billion which is repayable in December 2013. This facility carries interest at the rate of 6.45% per annum payable semi annually.
- During prior years, ICD obtained financing amounting to USD 2.5 billion from the Ministry of Finance (“MOF”), United Arab Emirates which was repayable in February 2012. This facility carried interest at the rate of 4.5% per annum payable on a quarterly basis. During 2011, this loan has been rescheduled and is now repayable in February 2015 with no changes in any other terms and conditions.
- AED 699,324 thousand (2010: AED 786,324 thousand) is an unsecured loan from the Department of Finance carrying a profit rate of 0.60% over EIBOR and is repayable in four quarterly instalments of AED 30,000 thousand each in 2012 and the balance amount of AED 579,324 thousand is due on 31 March 2013.
- AED 226,595 thousand (2010: AED 226,595 thousand) is obtained from the Department of Finance and has no fixed repayment terms. This carries interest at the rate prevailing at the time the funds were transferred.
- AED 281,000 thousand (2010: AED 281,000 thousand) is obtained from the Government and has no fixed repayment terms. This does not carry any interest and has been classified as current liability as management expects to repay this on demand by the Government.

#### e) Loans from associates and joint venture

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

- AED 612,167 thousand (2010: AED 1,836,500 thousand) being Islamic Commodity Syndicated Facility (“ICSF”). This facility is repayable in two tranches, 2/3 of the loan being Tranche 1 was repaid in August 2011 and 1/3 of the loan being Tranche 2 is repayable in August 2013. Tranche 1 carried a profit rate of 1.25% over EIBOR and Tranche 2 carries a profit rate of 1.5% over EIBOR.
- AED 612,167 thousand (2010: AED 1,836,500 thousand) being Sharikat Al Melk Facilities (“SAMF”). This facility is repayable in two tranches, 2/3 of the loan being Tranche 1 was repaid in August 2011 and 1/3 of the loan being Tranche 2 is repayable in August 2013. Tranche 1 carried a profit rate of 1.25% over EIBOR and Tranche 2 carries a profit rate of 1.5% over EIBOR.

#### f) Bonds

	2011 AED'000	2010 AED'000
Bonds are denominated in the following currencies:		
US Dollars (refer (i))	6,932,331	5,123,835
UAE Dirhams (refer (ii) and (iv))	6,436,032	5,657,989
Singapore Dollars (refer (iii))	422,994	1,137,152
	<u>13,791,357</u>	<u>11,918,976</u>
Less: transaction costs	(16,293)	(3,779)
	<u><u>13,775,064</u></u>	<u><u>11,915,197</u></u>

The effective interest rate on bonds is 3.4 % (2010: 2.98%).

#### i) USD Dollar bonds includes:

- bonds amounting to AED 3,673,000 thousand (2010: Nil) carrying a fixed interest rate of 5.125% over their term and are repayable in June 2016.
- bonds amounting to AED 2,020,150 thousand (2010: 2,020,150 thousand) representing the proceeds raised from an Islamic sukuk (bond) issued to finance the construction of certain buildings. The periodic distribution amounts, being the returns to sukuk holders, are based on six month LIBOR plus 75bps.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 31 BORROWINGS AND LEASE LIABILITIES (continued)

f) *Bonds (continued)*

i) USD Dollar bonds includes: (continued)

- bonds amounting to AED 1,239,181 thousand (2010: AED 1,267,185 thousand) (USD 345,000 thousand) represent the proceeds raised by the Group's subsidiary, Emirates Islamic Bank PJSC ("EIB"), through a sharia'a compliant Sukuk financing arrangement. The terms of the arrangement include the transfer of certain leased assets (Ijara) of EIB, on a co-ownership basis, to a Sukuk company (EIB Sukuk Company Limited – the Issuer) specially formed for this transaction. The assets are in the control of EIB and shall continue to be serviced by EIB. The Sukuk certificates are due for maturity on 11 June 2012. The carrying value of bonds approximates the fair value. The Issuer will pay the quarterly distribution amount from the returns received in respect of the leased assets. Such proceeds are expected to be sufficient to cover the quarterly distribution amount payable to Sukuk holders on each quarterly distribution date. Upon maturity of this Sukuk, EIB has undertaken to repurchase the assets at the exercise price of USD 350,000 thousand.
- bonds amounting to AED 1,836,500 thousand outstanding as at 31 December 2010. These were fully paid in March 2011.

ii) UAE Dirham bonds include AED 4,771,649 thousand (2010: AED 4,030,256 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 are offered under the prospectus issued by the subsidiary of the Group and have a face value of AED 10 per Bond and are repayable on demand of the bond holders.

iii) Singapore Dollar bonds amounting to AED 422,994 thousand (2010: AED 568,576 thousand) carrying a fixed interest rate of 4.64% over its term and are repayable in June 2016.

iv) Bonds amounting to AED 1,664,383 thousand (2010: AED 1,628,733 thousand) are based on six month EIBOR plus 60 bps and are repayable in July 2013.

g) *Finance lease liabilities*

Finance lease liabilities are payable as follows:

	<i>Future lease payments 2011 AED'000</i>	<i>Interest and term deposit component 2011 AED'000</i>	<i>Present value of minimum lease payments 2011 AED'000</i>
Less than one year	2,802,044	(550,791)	2,251,253
Between one and five years	9,626,541	(2,319,994)	7,306,547
More than five years	12,542,771	(1,539,145)	11,003,626
	<u>24,971,356</u>	<u>(4,409,930)</u>	<u>20,561,426</u>
	<i>Future lease payments 2010 AED'000</i>	<i>Interest and term deposit component 2010 AED'000</i>	<i>Present value of minimum lease payments 2010 AED'000</i>
Less than one year	1,730,720	(453,925)	1,276,795
Between one and five years	7,865,499	(2,183,914)	5,681,585
More than five years	11,769,898	(1,738,217)	10,031,681
	<u>21,366,117</u>	<u>(4,376,056)</u>	<u>16,990,061</u>



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#### 31 BORROWINGS AND LEASE LIABILITIES (continued)

##### g) *Finance lease liabilities (continued)*

The finance lease liabilities are secured on the related aircraft and aircraft engines. In the event of these finance leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 December 2011, the penalties would have been AED 61,849 thousand (2010: AED 62,660 thousand). The fair value of net lease liabilities amounts to AED 19,435,249 thousand (2010: AED 16,222,231 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 2.57% (2010: 2.93%).

##### 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 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 by its group companies.

#### 32 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with 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.

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**32 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

2011

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Total AED'000</i>	<i>Notional amounts</i>	
				<i>&lt;1 year AED'000</i>	<i>&gt;1 year AED'000</i>
<b><u>Banking operations</u></b>					
<b><i>Derivatives held for trading:</i></b>					
Forward foreign exchange contracts	173,497	(173,028)	68,147,954	66,644,530	1,503,424
Foreign exchange options	152,578	(150,006)	5,243,885	5,095,149	148,736
Interest rate swaps / caps	1,782,058	(1,684,846)	67,823,843	16,541,119	51,282,724
Credit derivatives	13,502	(42,456)	4,504,028	3,979,593	524,435
Equity options	191,475	-	269,033	258,750	10,283
	<u>2,313,110</u>	<u>(2,050,336)</u>	<u>145,988,743</u>	<u>92,519,141</u>	<u>53,469,602</u>
<b><i>Derivatives held as cash flow hedges:</i></b>					
Interest rate swaps	85,764	(5,870)	4,772,605	2,022,605	2,750,000
	<u>85,764</u>	<u>(5,870)</u>	<u>4,772,605</u>	<u>2,022,605</u>	<u>2,750,000</u>
<b><i>Derivatives held for fair value hedges:</i></b>					
Interest rate swaps	-	(12,565)	84,975	-	84,975
	<u>-</u>	<u>(12,565)</u>	<u>84,975</u>	<u>-</u>	<u>84,975</u>
<b>(A)</b>	<b><u>2,398,874</u></b>	<b><u>(2,068,771)</u></b>	<b><u>150,846,323</u></b>	<b><u>94,541,746</u></b>	<b><u>56,304,577</u></b>
<b><u>Other operations</u></b>					
<b><i>Derivatives held for trading:</i></b>					
Commodity forward contracts and options	280,498	(55,225)	10,221,969	4,482,633	5,739,336
	<u>280,498</u>	<u>(55,225)</u>	<u>10,221,969</u>	<u>4,482,633</u>	<u>5,739,336</u>
<b><i>Derivatives held as cash flow hedges:</i></b>					
Forward foreign exchange contracts	201,385	(138,286)	5,584,258	3,946,148	1,638,110
Commodity forward contracts	196,027	-	196,027	196,027	-
Interest rate swaps	-	(941,737)	12,730,076	86,060	12,644,016
	<u>397,412</u>	<u>(1,080,023)</u>	<u>18,510,361</u>	<u>4,228,235</u>	<u>14,282,126</u>
<b><i>Derivatives held for fair value hedges:</i></b>					
Forward foreign exchange contracts	26,902	-	396,657	396,657	-
Commodity forward contracts	5,388	-	10,854	10,854	-
	<u>32,290</u>	<u>-</u>	<u>407,511</u>	<u>407,511</u>	<u>-</u>
<b>(B)</b>	<b><u>710,200</u></b>	<b><u>(1,135,248)</u></b>	<b><u>29,139,841</u></b>	<b><u>9,118,379</u></b>	<b><u>20,021,462</u></b>
<b>Total (A+B)</b>	<b><u>3,109,074</u></b>	<b><u>(3,204,019)</u></b>	<b><u>179,986,164</u></b>	<b><u>103,660,125</u></b>	<b><u>76,326,039</u></b>

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**32 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

2010

	<i>Positive fair value AED'000</i>	<i>Negative fair value AED'000</i>	<i>Total AED'000</i>	<i>Notional amounts</i>	
				<i>&lt;1 year AED'000</i>	<i>&gt;1 year AED'000</i>
<i><u>Banking operations</u></i>					
<i>Derivatives held for trading:</i>					
Forward foreign exchange contracts	206,813	(115,067)	76,074,751	73,441,938	2,632,813
Foreign exchange options	95,134	(95,131)	6,250,176	6,250,176	-
Interest rate swaps / caps	1,647,624	(1,429,368)	50,949,640	12,311,856	38,637,784
Credit derivatives	23,341	(129,365)	5,669,238	1,278,030	4,391,208
Equity options	162,090	(104)	260,094	260,094	-
	<u>2,135,002</u>	<u>(1,769,035)</u>	<u>139,203,899</u>	<u>93,542,094</u>	<u>45,661,805</u>
<i>Derivatives held as cash flow hedges:</i>					
Interest rate swaps	310,557	(192,730)	15,873,741	3,939,246	11,934,495
	<u>310,557</u>	<u>(192,730)</u>	<u>15,873,741</u>	<u>3,939,246</u>	<u>11,934,495</u>
<i>Derivatives held for fair value hedges:</i>					
Interest rate swaps	-	(7,580)	79,079	-	79,079
	<u>-</u>	<u>(7,580)</u>	<u>79,079</u>	<u>-</u>	<u>79,079</u>
(A)	<u>2,445,559</u>	<u>(1,969,345)</u>	<u>155,156,719</u>	<u>97,481,340</u>	<u>57,675,379</u>
<i><u>Other operations</u></i>					
<i>Derivatives held for trading:</i>					
Commodity forward contracts and options	548,649	(349,538)	11,360,197	3,755,652	7,604,545
	<u>548,649</u>	<u>(349,538)</u>	<u>11,360,197</u>	<u>3,755,652</u>	<u>7,604,545</u>
<i>Derivatives held as cash flow hedges:</i>					
Forward foreign exchange contracts	59,031	(145,215)	4,146,411	1,733,882	2,412,529
Commodity forward contracts	-	(43,933)	44,055	43,602	453
Interest rate swaps	-	(636,749)	7,696,406	237,445	7,458,961
	<u>59,031</u>	<u>(825,897)</u>	<u>11,886,872</u>	<u>2,014,929</u>	<u>9,871,943</u>
<i>Derivatives held for fair value hedges:</i>					
Forward foreign exchange contracts	-	(475)	363,381	363,381	-
	<u>-</u>	<u>(475)</u>	<u>363,381</u>	<u>363,381</u>	<u>-</u>
(B)	<u>607,680</u>	<u>(1,175,910)</u>	<u>23,610,450</u>	<u>6,133,962</u>	<u>17,476,488</u>
Total (A+B)	<u><u>3,053,239</u></u>	<u><u>(3,145,255)</u></u>	<u><u>178,767,169</u></u>	<u><u>103,615,302</u></u>	<u><u>75,151,867</u></u>

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**32 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

Disclosed as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Current assets	<b>1,199,988</b>	1,185,773
Non-current assets	<b>1,909,086</b>	1,867,466
<b>Total</b>	<b>3,109,074</b>	3,053,239
Current liabilities	<b>(475,475)</b>	(543,846)
Non-current liabilities	<b>(2,728,544)</b>	(2,601,409)
<b>Total</b>	<b>(3,204,019)</b>	(3,145,255)
<b>Net fair value of derivatives</b>	<b>(94,945)</b>	(92,016)

**33 OTHER NON-CURRENT PAYABLES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Deferred credits (see note (a))	<b>378,931</b>	434,626
Deferred service revenue	<b>2,113,235</b>	1,866,112
Retention payable	<b>194,382</b>	190,047
Decommissioning and cylinder replacement costs	-	21,705
Other non-current payables	<b>357,035</b>	153,706
	<b>3,043,583</b>	2,666,196

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**33 OTHER NON-CURRENT PAYABLES (continued)**

a) *Deferred credits*

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Opening balance	594,165	618,950
Additions during the year	100,637	151,022
Transferred to property, plant and equipment	(27,086)	-
Recognised during the year	(144,167)	(175,807)
Balance at 31 December	<u>523,549</u>	<u>594,165</u>
	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Deferred credits will be recognised as follows:		
Within one year (see note 34)	144,618	159,539
Over one year	378,931	434,626
Balance at 31 December	<u>523,549</u>	<u>594,165</u>

**34 TRADE AND OTHER PAYABLES**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Trade payables	15,070,883	14,642,247
Passenger sales in advance	8,257,128	6,818,296
Accrued interest payable	1,520,174	1,294,011
Advance from customers	211,312	1,033,286
Amounts due to associates and joint ventures (see note 39)	909,714	470,800
Amounts due to other related parties (see note 39)	164,194	153,816
Managers' cheques	563,569	631,076
Decommissioning liability	1,134,862	682,918
Unearned rent and service charges	475,639	362,143
Deferred credits (see note 33)	144,618	159,539
Members' margin deposit (see note (a) below)	21,220	11,216
Other payables and accruals (see note (b) below)	4,944,146	7,600,353
	<u>33,417,459</u>	<u>33,859,701</u>

- a) Members' margin deposits represent margin deposits in respect of outstanding securities trades until such outstanding trade is settled.
- b) During prior years, the Group made a provision of AED 551,250 thousand in respect of an anticipated loss pertaining to the committed purchase of certain operations of a related party. Such commitment was valid until 16 April 2012.

During the current year, this provision was reversed by the Group as the related party has distributed those operations to the Group as a dividend. Such dividend was recorded in the consolidated financial statements at its fair value of AED Nil. (see note 5)

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**35 CUSTOMER DEPOSITS**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Time	<b>84,003,998</b>	105,558,280
Demand, call and short notice	<b>48,329,750</b>	24,382,067
Savings	<b>10,669,784</b>	8,726,815
Others	<b>1,347,940</b>	1,295,943
	<b>144,351,472</b>	139,963,105
Disclosed as follows:		
Non-current liabilities	<b>11,907,440</b>	12,279,365
Current liabilities	<b>132,444,032</b>	127,683,740
	<b>144,351,472</b>	139,963,105

The interest rates paid on the above deposits averaged 1.8 % per annum (2010: 2.3% per annum).

Customers deposits include AED 14,302 million (2010: AED 11,502 million) pertaining to facilities received from the Ministry of Finance of the UAE, AED 1,511,583 thousand (2010: AED 7,759,000 thousand) due to other related parties and AED 511,801 thousand (2010: AED Nil) due to associate and joint ventures (see note 39).

**36 ISLAMIC CUSTOMER DEPOSITS**

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Time	<b>28,066,318</b>	31,894,135
Demand, call and short notice	<b>4,718,250</b>	2,517,291
Savings	<b>3,176,557</b>	1,377,821
Others	<b>148,836</b>	108,418
	<b>36,109,961</b>	35,897,665
Disclosed as follows:		
Non-current liabilities	<b>4,709,500</b>	5,100,148
Current liabilities	<b>31,400,461</b>	30,797,517
	<b>36,109,961</b>	35,897,665

Islamic customers deposits include AED 1,082 million (2010: AED Nil) pertaining to facilities received from the Ministry of Finance of the UAE (see note 39).

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**37 DEPOSITS UNDER REPURCHASE AGREEMENTS**

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Available-for-sale investments (see note 19)	<b>186,805</b>	892,309
Loans and receivables (see note 24)	<b>2,332,855</b>	-
	<b>2,519,660</b>	892,309

**38 COMMITMENTS AND CONTINGENCIES**

**(a) Investment commitments**

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Available-for-sale investments	<b>801,471</b>	928,611
Group's share of investment commitments in associates	<b>60,031</b>	42,214
Group's share of investment commitment in joint ventures	<b>6,441,326</b>	5,804,023
Others	<b>315,638</b>	63,945
	<b>7,618,466</b>	6,838,793

Investment commitments in joint ventures include the Group's share of investment commitment in Emirates Aluminium Company Ltd ("EMAL").

**(b) Operating lease commitments**

**Group as lessee**

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Within one year	<b>5,653,042</b>	5,138,266
After one year but not more than five years	<b>19,670,432</b>	18,121,333
More than five years	<b>12,562,589</b>	11,794,786
	<b>37,886,063</b>	35,054,385

In the event of certain aircraft leases being terminated prior to their expiry, penalties are payable. Had these leases been cancelled at 31 December 2011, the penalties would have been AED 425.9 million (2010: AED 632.2 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 fifteen of one hundred and thirteen (2010: eighteen of one hundred and seven) aircraft under these leases.

In addition, the Group has six (2010: seven) Boeing aircraft contracted on operating leases for delivery until March 2016.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 38 COMMITMENTS AND CONTINGENCIES (continued)

#### (b) Operating lease commitments (continued)

##### Group as lessor

The Group has entered into commercial property leases on its portfolio of properties, consisting of the Group's investment properties. These non-cancellable leases have remaining terms of between 3 and 5 years. All leases include a clause to enable an upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Within one year	<b>878,060</b>	749,269
After one year but not more than five years	<b>1,571,082</b>	1,164,281
More than five years	<b>567,580</b>	440,660
	<u><b>3,016,722</b></u>	<u>2,354,210</u>

#### (c) Capital commitments

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Capital commitments for purchase of aircraft fleet are as follows:		
Upto 1 year	<b>18,203,454</b>	12,993,341
2-5 years	<b>76,966,255</b>	73,719,714
Above 5 years	<b>69,086,863</b>	54,516,398
	<u><b>164,256,572</b></u>	<u>141,229,453</u>
Commitment for purchase of other property, plant and equipment	<b>6,632,576</b>	4,710,074
Authorised but not contracted commitment relating to other property, plant and equipment	<b>2,311,217</b>	825,665
Group's share of associate and joint venture companies' expenditure commitments	<b>5,448,072</b>	3,998,879
	<u><b>178,648,437</b></u>	<u>150,764,071</u>

#### (d) Assets held under fiduciary capacity

One of the Group's subsidiaries in banking operations holds assets in a fiduciary capacity for its customers, including gold amounting to AED 455 million (2010: AED 49 million). Furthermore, the Group provides custodian services for some of its customers. The underlying assets held in a custodial or fiduciary capacity are excluded from the Group's consolidated financial statements.



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**38 COMMITMENTS AND CONTINGENCIES (continued)**

**(e) Contingencies**

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Letters of credit	<u>7,274,382</u>	<u>9,105,363</u>
Letters of guarantees	<u>37,061,035</u>	<u>37,439,189</u>
Liabilities on risk participation	<u>2,449,906</u>	<u>-</u>
Performance bonds	<u>15,296</u>	<u>11,071</u>
Group's share of guarantees in associates and joint ventures	<u>4,248,891</u>	<u>4,676,153</u>
Group's share of letter of credit in associates and joint ventures	<u>1,046,882</u>	<u>1,105,621</u>
Third party claim*	<u>523,202</u>	<u>832,324</u>
Acceptances	<u>995,968</u>	<u>2,174,977</u>

\* 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 of future economic benefits are remote. Accordingly, no liability is recognised in respect of these contingencies.

**(f) Operational commitments**

One of the Group's subsidiaries has operational commitments relating to sales and marketing as at 31 December 2011 of AED 1,349,361 thousand (2010: AED 1,418,538 thousand).

**(g) Irrevocable loan commitments**

The Group's banking operations have irrevocable undrawn loan commitments amounting to AED 21,662,663 thousand outstanding at 31 December 2011 (2010: AED 15,481,951 thousand).

**(h)** During the current year, ICD along with the other five shareholders (related parties) of an associate company (the "Shareholders"), have on a joint and several basis undertaken to ensure that the associate company has sufficient working capital to comply with its contractual obligations up to an amount of USD 625 million. The Shareholders have also, on a joint and several basis guaranteed a loan for the associate company in the amount of approximately USD 700 million.

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#### 39 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 these transactions 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 entities include transactions in the normal course of business with various utility companies, port authorities and financial institutions. In accordance with the exemption in the revised IAS 24 management has concluded not to disclose transactions which are entered in normal course of business with the Government and the entities that are related party 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:

	<i>31 December 2011</i>				
	<i>Purchase of goods and services</i> <i>AED'000</i>	<i>Sale of goods and services</i> <i>AED'000</i>	<i>Finance income</i> <i>AED'000</i>	<i>Finance costs</i> <i>AED'000</i>	<i>Fee and commission income</i> <i>AED'000</i>
Associates and joint ventures	<u>7,348,554</u>	<u>7,058,843</u>	<u>178,047</u>	<u>88,911</u>	<u>-</u>
Other related parties	<u>682,624</u>	<u>3,910,486</u>	<u>273,130</u>	<u>802,858</u>	<u>50,425</u>
	<i>31 December 2010</i>				
	<i>Purchase of goods and services</i> <i>AED'000</i>	<i>Sale of goods and services</i> <i>AED'000</i>	<i>Finance income</i> <i>AED'000</i>	<i>Finance costs</i> <i>AED'000</i>	<i>Fee and commission income</i> <i>AED'000</i>
Associates and joint ventures	<u>4,534,887</u>	<u>5,774,599</u>	<u>336,502</u>	<u>119,169</u>	<u>59,493</u>
Other related parties	<u>474,621</u>	<u>2,639,659</u>	<u>151,080</u>	<u>744,594</u>	<u>19,942</u>

In addition to above, two of the Group's subsidiaries entered into sale and purchase agreement with a related party to sell certain investment properties and other assets with net carrying value of AED 1,142,876 thousand (2010: AED 7,729,608 thousand). (see note 16)

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**39 RELATED PARTY TRANSACTIONS (continued)**

- b) Amounts due from and due to related parties are disclosed in notes 20, 22, 24, 31, 34, 35 and 36 respectively, details of which are as follows:

	<i>2011</i>		<i>2010</i>	
	<i>Receivables AED'000</i>	<i>Payables AED'000</i>	<i>Receivables AED'000</i>	<i>Payables AED'000</i>
Associates and joint ventures	<b>6,855,149</b>	<b>2,664,040</b>	11,570,508	4,411,991
Government, MOF and other related parties	<b>79,414,875</b>	<b>31,454,196</b>	65,251,293	33,896,235
	<b>86,270,024</b>	<b>34,118,236</b>	76,821,801	38,308,226

Included in Government, MOF and other related parties is an amount of AED 918,750 thousand which was provided during 2010 (see notes 20 and 22).

- c) Compensation to key managerial personnel

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

<i>2011</i>	<i>2011 AED'000</i>	<i>2010 AED'000</i>
Short term benefits	<b>317,094</b>	282,876
End of service benefits	<b>18,592</b>	20,247
Share based payments	<b>4,028</b>	3,094
Directors' fees	<b>15,061</b>	5,208
Management fees	-	4,607
	<b>354,775</b>	316,032

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**40 FINANCIAL RISK MANAGEMENT**

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

**31 December 2011:**

	<i>Designated as fair value through profit or loss AED'000</i>	<i>Held to maturity AED'000</i>	<i>Available- for- sale AED'000</i>	<i>Loans and receivables AED'000</i>	<i>Liabilities at amortised cost AED'000</i>	<i>Derivative financial instruments AED'000</i>	<i>Total carrying value AED'000</i>
<b>Financial assets</b>							
<b>Non-derivative financial assets</b>							
Investment in marketable securities (see note 19)	1,254,770	1,148,466	18,616,037	-	-	-	21,019,273
Islamic financing and investment products (see note 23)	-	-	-	29,212,583	-	-	29,212,583
Loans and receivables (see note 24)	-	-	-	168,798,830	-	-	168,798,830
Other non-current assets	-	-	-	13,985,144	-	-	13,985,144
Trade and other receivables	-	-	-	25,412,777	-	-	25,412,777
Customer acceptances	-	-	-	3,777,759	-	-	3,777,759
Cash and deposits with banks (see note 25)	-	-	-	62,518,095	-	-	62,518,095
<b>Derivative financial assets</b>							
Positive fair value of derivatives (see note 32)	-	-	-	-	-	3,109,074	3,109,074
	<b>1,254,770</b>	<b>1,148,466</b>	<b>18,616,037</b>	<b>303,705,188</b>	<b>-</b>	<b>3,109,074</b>	<b>327,833,535</b>
<b>Financial liabilities</b>							
<b>Non-derivative financial liabilities</b>							
Customer deposits	-	-	-	-	144,351,472	-	144,351,472
Islamic customer deposits	-	-	-	-	36,109,961	-	36,109,961
Borrowings and lease liabilities (see note 31)	-	-	-	-	111,590,729	-	111,590,729
Non-current payables	-	-	-	-	458,130	-	458,130
Customer acceptances	-	-	-	-	3,777,759	-	3,777,759
Deposits under repurchase agreement	-	-	-	-	2,519,660	-	2,519,660
Trade and other payables	-	-	-	-	23,337,227	-	23,337,227
<b>Derivative financial liabilities</b>							
Negative fair value of derivatives (see note 32)	-	-	-	-	-	3,204,019	3,204,019
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>322,144,938</b>	<b>3,204,019</b>	<b>325,348,957</b>

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

## Investment

### 40 FINANCIAL RISK MANAGEMENT (continued)

31 December 2010:

	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							
Investment in marketable securities (see note 19)	2,535,001	1,019,077	16,893,743	-	-	-	20,447,821
Islamic financing and investment products (see note 23)	-	-	-	19,771,604	-	-	19,771,604
Loans and receivables (see note 24)	-	-	-	169,731,136	-	-	169,731,136
Other non-current assets	-	-	-	16,355,302	-	-	16,355,302
Trade and other receivables	-	-	-	18,768,327	-	-	18,768,327
Customer acceptances	-	-	-	4,632,810	-	-	4,632,810
Cash and deposits with banks (see note 25)	-	-	-	76,610,908	-	-	76,610,908
Derivative financial assets							
Positive fair value of derivatives (see note 32)	-	-	-	-	-	3,053,239	3,053,239
	<u>2,535,001</u>	<u>1,019,077</u>	<u>16,893,743</u>	<u>305,870,087</u>	<u>-</u>	<u>3,053,239</u>	<u>329,371,147</u>
Financial liabilities							
Non-derivative financial liabilities							
Customer deposits	-	-	-	-	139,963,105	-	139,963,105
Islamic customer deposits	-	-	-	-	35,897,665	-	35,897,665
Borrowings and lease liabilities (see note 31)	-	-	-	-	119,097,627	-	119,097,627
Non-current payables	-	-	-	-	343,753	-	343,753
Customer acceptances	-	-	-	-	4,632,810	-	4,632,810
Deposits under repurchase agreement	-	-	-	-	892,309	-	892,309
Trade and other payables	-	-	-	-	28,750,501	-	28,750,501
Derivative financial liabilities							
Negative fair value of derivatives (see note 32)	-	-	-	-	-	3,145,255	3,145,255
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,577,770</u>	<u>3,145,255</u>	<u>332,723,025</u>

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

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 40 FINANCIAL RISK MANAGEMENT (continued)

#### *Risk management framework and processes:*

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 has the overall responsibility and provides the overall risk management direction and oversight.
- The Group's risk appetite is determined by the Executive Committee and approved by the Board of Directors.
- Credit, market, operational and liquidity risks are managed in a coordinated manner within the organisation.

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.

#### *Scope and nature of risk reporting tools:*

The risk management framework enables the Group to identify, assess, manage and monitor risks using a range of quantitative and qualitative tools. Some of these tools are common to a number of risk categories, while others are tailored to the particular features of specific risk categories and enable generation of information such as:

- Credit risk in commercial and consumer lending, collateral coverage ratios, limit utilisations and past due alerts.
- Quantification of the susceptibility of the market value of single positions or portfolios to changes in market parameters (commonly referred to as sensitivity analysis).
- Quantification of exposures to losses due to extreme and sudden movements in market prices or rates.

#### *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.

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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.1 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, mainly 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) 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.

***Islamic financing and investment products and loans and receivables***

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 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 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, 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 and other credit enhancements***

The amount and type of collateral depends on an assessment of the credit risk of the counterparty. The types of collateral mainly includes cash, charges over real estate properties, inventory and trade receivables.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

***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:

	<i>2011</i>	<i>2010</i>
	<i>AED'000</i>	<i>AED'000</i>
Investment in marketable securities	<b>15,544,602</b>	16,180,554
Other non-current assets	<b>13,985,144</b>	16,790,900
Positive fair value of derivatives	<b>3,109,074</b>	3,053,239
Islamic financing and investment products	<b>29,212,583</b>	19,771,604
Loans and receivables	<b>168,798,830</b>	169,731,136
Trade and other receivables (including due from related parties)	<b>25,412,777</b>	17,432,739
Customer acceptances	<b>3,777,759</b>	4,632,810
Cash and deposits with banks	<b>62,518,095</b>	76,610,908
	<b>322,358,864</b>	324,203,890

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**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.1 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 could 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.

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Letters of credit	7,274,382	9,105,363
Letters of guarantees	37,061,035	37,439,189
Liabilities on risk participation	2,449,906	-
Performance bonds	15,296	11,071
Group's share of guarantees in associates and joint ventures	4,248,891	4,676,153
Group's share of letter of credit in associates and joint ventures	1,046,882	1,105,621
Third party claim	523,202	832,324
Acceptances	995,968	2,174,977
Irrevocable undrawn loan commitments	21,662,663	15,481,951
	<u>75,278,225</u>	<u>70,826,649</u>

*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 2011*

	<i>Gross</i> <i>AED'000</i>	<i>Impairment</i> <i>AED'000</i>
Neither past due nor impaired	191,780,783	-
Past due but not impaired		
Past due 1 – 90 days	10,638,766	-
Past due 91 – 365 days	4,662,704	-
Past due and impaired	31,130,565	14,232,527
<b>Total</b>	<u>238,212,818</u>	<u>14,232,527</u>

*31 December 2010*

	<i>Gross</i> <i>AED'000</i>	<i>Impairment</i> <i>AED'000</i>
Neither past due nor impaired	179,563,896	-
Past due but not impaired		
Past due 1 – 90 days	4,839,725	-
Past due 91 – 365 days	650,873	-
Past due and impaired	24,754,768	9,892,226
<b>Total</b>	<u>209,809,262</u>	<u>9,892,226</u>



# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.1 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. Amounts due from related parties are considered as fully recoverable.

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

	<b>2011</b> <b>AED'000</b>	<b>2010</b> <b>AED'000</b>
Balance at the beginning of the year	9,892,226	6,379,441
Arising on transfer of subsidiaries	-	212,833
Provision and other debits	4,765,281	3,896,105
Amounts written off	(142,289)	(605,408)
Arising on account of business combination	-	9,255
Interest unwind on impaired loans and receivables	(106,952)	-
Arising on transfer of entity to the Government	(175,739)	-
	<u>14,232,527</u>	<u>9,892,226</u>
At 31 December	<u>14,232,527</u>	<u>9,892,226</u>

#### 40.2 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 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:

<b>Financial liabilities</b>	<b>Carrying amount AED'000</b>	<b>Contractual cash flows AED'000</b>	<b>Less than one year AED'000</b>	<b>More than one year AED'000</b>
<b>31 December 2011</b>				
Customer deposits	144,351,472	147,435,191	133,649,493	13,785,698
Islamic customer deposits	36,109,961	36,121,221	31,411,405	4,709,816
Borrowings and lease liabilities	111,590,730	121,957,384	54,887,322	67,070,062
Non-current payables	458,130	458,130	191,902	266,228
Customer acceptances	3,777,759	3,777,759	3,777,759	-
Deposits under repurchase agreement	2,519,660	2,539,506	1,876,517	662,989
Trade and other payables	23,337,227	23,337,227	23,149,907	187,320
Derivative instruments	3,204,019	3,153,579	2,383,871	769,708
	<u>325,348,958</u>	<u>338,779,997</u>	<u>251,328,176</u>	<u>87,451,821</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.2 Liquidity risk (continued)

Financial liabilities	<i>Carrying amount</i> <i>AED'000</i>	<i>Contractual cash flows</i> <i>AED'000</i>	<i>Less than one year</i> <i>AED'000</i>	<i>More than one year</i> <i>AED'000</i>
<i>31 December 2010</i>				
Customer deposits	139,963,105	142,997,107	129,073,044	13,924,063
Islamic customer deposits	35,897,665	35,897,665	30,797,517	5,100,148
Borrowings and lease liabilities	119,097,627	129,594,855	57,129,751	72,465,104
Non-current payables	365,458	365,458	-	365,458
Customer acceptances	4,632,810	4,632,810	4,632,810	-
Deposits under repurchase agreement	892,309	924,443	16,067	908,376
Trade and other payables	23,793,434	28,758,032	23,726,002	5,032,030
Derivative instruments	3,145,255	3,138,780	807,134	2,331,646
Total	<u>327,787,663</u>	<u>346,309,150</u>	<u>246,182,325</u>	<u>100,126,825</u>

#### 40.3 Market risk

Market risk is the risk that changes in market prices, such as equity prices, commodity prices, interest 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.

##### 40.3.1 Equity price risk

Equity price risk arises from investment in marketable securities designated as either available-for-sale financial assets, held-to-maturity 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 164,475 thousand (2010: AED 114,447 thousand); an equal change in the opposite direction would have decreased the fair value of the quoted securities by 164,475 thousand (2010: AED 114,447 thousand). The following table demonstrates the sensitivity of the Group's equity and profit or loss to a 5 percent change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	<i>Effect on income statement</i> <i>AED'000</i>	<i>Effect on equity</i> <i>AED'000</i>
<i>31 December 2011</i>		
Effect of changes in quoted equity portfolio of the Group	<u>12,834</u>	<u>164,475</u>
<i>31 December 2010</i>		
Effect of changes in quoted equity portfolio of the Group	<u>2,279</u>	<u>114,447</u>

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.3.2 Commodity price risk

Certain subsidiaries are exposed to price risk on commodities which include oil (including jet oil) and aluminium. These subsidiaries manage their exposure to change in oil and aluminium prices by use of commodity derivative instruments (i.e. commodity futures and options) thereby seeking to minimise the potential adverse effects on the Group's financial performance.

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

#### Commodity price risk – sensitivity analysis

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

#### Commodities

	<i>Increase</i>		<i>Decrease</i>	
	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>
<i>31 December 2011</i>				
Aluminium prices (10%)	(131,830)	33,541	131,969	16,179
Oil prices (5%)	118,691	171,321	(292,332)	(239,702)
<b>Total</b>	<b>(13,139)</b>	<b>204,862</b>	<b>(160,363)</b>	<b>(223,523)</b>
	<i>Increase</i>		<i>Decrease</i>	
	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>	<i>Equity</i> <i>AED'000</i>	<i>Profit</i> <i>AED'000</i>
<i>31 December 2010</i>				
Aluminium prices (10%)	(207,958)	4,738	698	198,470
Oil prices (5%)	40,098	42,788	(31,881)	(29,191)
<b>Total</b>	<b>(167,860)</b>	<b>47,526</b>	<b>(31,183)</b>	<b>169,279</b>

#### 40.3.3 Interest rate risk

The Group is exposed to interest rate fluctuations in the financial market with respect to investment 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 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 32.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.3.3 Interest rate risk (continued)

##### *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.

The Bank's ALCO, which consists of the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, GM Treasury and Markets as well as of the heads of the business units, is the central authority for identifying and managing such risk. The ALCO holds ultimate responsibility for the establishment, review and approval of the Bank's interest rate risk policy, guidelines, and limits, approved by the Board. The ALCO holds monthly meetings for a complete review of the Bank's market risk positions, including the interest rate risk in its banking book.

The Bank's risk management ensures that data inputs are adequately specified (commensurate with the nature and complexity of the Bank's holdings) with regard to rates, maturities, re-pricing, embedded options, and other details to provide a reasonably accurate portrayal of changes in economic value or earnings.

The Bank's risk management also ensures that systems assumptions (used to transform positions into cash flows) are reasonable, properly documented, and stable over time. Material changes to assumptions are documented, justified, and approved by the Bank's ALCO.

The primary techniques used for measuring a bank's interest rate risk exposure is through ‘Gap Analysis’ with a repricing schedule that distributes interest-sensitive assets, liabilities, and off balance sheet positions into “time bands” according to their maturity (if fixed-rate) or time remaining to their next repricing (if floating-rate). These schedules generate indicators of the interest rate risk sensitivity of both earnings and economic value to changing interest rates.

To assess interest rate risk in the banking book, the Bank applies several concepts and methods. For measuring overall sensitivity in the banking book, the Bank conducts stress tests by simulating 200 basis point parallel shocks to the yield curve(s). To account for mid to long term trends in the economic environment, the Bank conducts scenario analyses by forecasting future interest rates and its impact on its net interest income. To measure and manage interest rate risk on a day-to-day basis, the Bank has established limits based on the PV 01 (Price Value of a Basis Point). In addition to repricing gap analysis, separate investment and funding strategies are prepared and tested against the limits prior to execution, for restructuring the balance sheet. Separate analysis is done on the interest sensitivity of the hedged positions of the Bank. The interest rate gaps and sensitivity tests are measured on a monthly basis by the Bank's ALCO.

##### *Interest rate derivatives exposure:*

Impact of +1 basis point parallel shift in the yield curve, on trading book:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<u>Transaction Currency</u>		
USD	(5)	53
AED	34	(20)
SAR	(4)	(6)
EUR	(10)	6
Total	<u>15</u>	<u>33</u>

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

#### 40 FINANCIAL RISK MANAGEMENT (continued)

##### 40.3.3 Interest rate risk (continued)

###### *Banking operations (continued)*

The Bank has implemented Reuters' KVaR+ system for Value-at-Risk (VaR) calculations, scenario building, and stress testing trading risk. The VaR is calculated according to two different methodologies:

- Historical simulation
- Monte-Carlo simulation

The Monte-Carlo simulation implemented at the Bank uses a transformed distribution (based on the original distribution to preserve the characteristics of the empirical distribution).

The VaR system is set up to generate daily reports at two different confidence levels and under two different holding period assumptions, as shown in the following table:

Methodology	Confidence Level	Holding Period (Horizon)
Historical simulation	95%	1 day 10 days
	99%	1 day 10 days
Monte Carlo	95%	1 day 10 days
	99%	1 day 10 days

The KVaR+ system has been configured to highlight the independent impact of every risk factor that contributes to the total VaR figure. Thus the Bank's management is able to disaggregate daily total VaR by the following risk types:

- Interest Rate VaR
- Currency VaR
- Volatility VaR
- Residual VaR

Year end Value at Risk:

- Confidence Level : 99%
- Holding Period : 1 day
- Methodology: Monte Carlo simulation

Total Value at Risk:

	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>
As at 31 December	<b>3,546</b>	5,374
Average	<b>5,077</b>	7,039
Minimum	<b>72</b>	1,923
Maximum	<b>22,236</b>	16,068

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.3.3 Interest rate risk (continued)**

*Non-banking operations*

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

	<i>Effect on profit on increase of 100 bp AED'000</i>
<b>31 December 2011</b>	<b>(312,276)</b>
<b>31 December 2010</b>	<b>(553,768)</b>

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

**40.3.4 Currency risk**

*Banking operations*

Foreign exchange risk hedging strategies are used to ensure that positions are always within established limits. The Group has a conservative policy towards foreign exchange risk and has set limits on positions by currency. Foreign exchange risk is measured using position reports showing the net long or short position for currencies, which are monitored on a real-time basis. Foreign exchange risk is actively managed using spot and forward foreign exchange instruments.

Foreign exchange exposure at year end:

<b>Currency</b>	<b>31 December 2011</b>		<b>31 December 2010</b>	
	<i>Open position in currency '000</i>	<i>Open position in AED'000</i>	<i>Open position in currency '000</i>	<i>Open position in AED'000</i>
CHF	(113)	(442)	(1,036)	(4,059)
EUR	1,877	8,929	(8,144)	(39,928)
GBP	1,990	11,350	(42,905)	(243,993)
OMR	(188,321)	(1,794,986)	(103,763)	(989,021)
SAR	(6,987,396)	(6,837,376)	(8,080,324)	(7,906,839)
QAR	752,119	758,181	1,828,882	1,843,623
KWD	730	9,624	11,814	154,193
USD	960,151	3,526,151	(294,901)	(1,083,023)
Others*	188,569	36,998	957,045	177,042

\*Others include minor exposures in various other currencies.

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

40 FINANCIAL RISK MANAGEMENT (continued)

40.3.4 Currency risk (continued)

*Banking operations (continued)*

	<i>2011</i> <i>AED '000</i>	<i>2010</i> <i>AED '000</i>
Total open position AED	<b>(4,281,571)</b>	(8,092,005)
Total open position limit	<b>42,338,090</b>	37,514,587
Limit utilisation (in %)	<b>(10%)</b>	(22%)

The Bank has a conservative trading policy. All new products are only authorised if adequate infrastructure has been assured and approved by senior management. Trading risk limits for foreign exchange, securities, interest rate products and derivatives are reviewed annually and approved by relevant authorities. The Treasury is responsible for managing trading risk exposure within approved trading risk limits. These limits are low in comparison to the balance sheet size. Systems and procedures are in place to monitor and report related exposure on a daily basis.

To measure and monitor the interest rate risk in the trading book, the Bank employs PV01 and VaR limits. Contract limits were established for exchange traded products, and notional limits are put in place for over the counter (OTC) products. Delta, Gamma and Vega limits are established for options trading.

*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.

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

	<i>Average rate</i> <i>AED</i>	<i>Reporting rate (spot rate)</i> <i>AED</i>
<i>31 December 2011</i>		
SGD	<b>2.92</b>	<b>2.83</b>
GBP	<b>5.89</b>	<b>5.68</b>
EURO	<b>5.11</b>	<b>4.76</b>
<hr/>		
	<i>Average rate</i> <i>AED</i>	<i>Reporting rate (spot rate)</i> <i>AED</i>
<i>31 December 2010</i>		
SGD	2.70	2.84
GBP	5.68	5.68
EURO	4.87	4.86
<hr/>		

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.3.4 Currency risk (continued)

##### Currency rate risk - sensitivity analysis

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

<i>31 December 2011</i>	<i>Equity AED'000</i>	<i>Income statement AED'000</i>
SGD	43,212	43,212
GBP	(409,013)	(4,622)
EURO	31,835	(61,712)
INR	-	(11)
<i>31 December 2010</i>	<i>Equity AED'000</i>	<i>Income statement AED'000</i>
SGD	114,362	114,362
GBP	(437,653)	(44,473)
EURO	(12,545)	(109,634)
INR	-	(34)

#### 40.4 Capital management

##### 40.4.1 Capital management (banking operations)

The Central Bank of UAE supervises the Banking subsidiary of the Group (the "Bank") on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Bank as a whole. The capital is computed at a consolidated level using the Basel I & II framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the Central Bank, within national discretion. While Basel I allocates capital only for the Credit Risk, the Basel II capital regime is more inclusive (described below). 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.
- Tier II capital includes qualifying subordinated debt and fair value reserve.



# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 40 FINANCIAL RISK MANAGEMENT (continued)

#### 40.4.1 Capital management (banking operations) (continued)

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b><u>Tier I Capital</u></b>		
Issued capital	5,557,775	5,557,775
Share premium reserve	12,270,124	12,270,124
Legal and statutory reserve	2,451,405	2,198,205
Other reserves	2,869,533	2,869,533
Retained earnings	7,587,509	6,700,409
Tier I Capital notes	4,000,000	4,000,000
Non-controlling interests	46,280	93,820
	<hr/>	<hr/>
Total tier I Capital	34,782,626	33,689,866
Less : Goodwill and intangibles	(5,831,018)	(5,951,611)
Less : Treasury shares	(46,175)	(46,175)
	<hr/>	<hr/>
Total	28,905,433	27,692,080
<b><u>Tier II Capital</u></b>		
Cumulative changes in fair value	110,071	47,655
Hybrid (debt / equity) capital instruments	12,584,215	12,584,215
Subordinated debt	1,837,136	3,236,481
	<hr/>	<hr/>
Total	14,531,422	15,868,351
	<hr/>	<hr/>
Total regulatory capital	43,436,855	43,560,431
	<hr/> <hr/>	<hr/> <hr/>

### RISK WEIGHTED EXPOSURE

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Corporate banking	141,447,295	141,801,149
Consumer banking	21,050,187	20,485,003
Treasury	15,527,469	13,550,903
Others	11,127,402	8,951,864
	<hr/>	<hr/>
Total	189,152,353	184,788,919
	<hr/> <hr/>	<hr/> <hr/>
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	22.96%	23.57%
Total tier I capital as a percentage of risk weighted assets	15.28%	14.99%

#### **Implementation of Basel II guidelines**

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

The bank also assigns capital on other than Pillar I risk categories, for 'Interest Rate risk on Banking Book' and for 'Business Risk' within the Pillar II framework.

Investment Corporation of Dubai and its Subsidiaries  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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40 FINANCIAL RISK MANAGEMENT (continued)

40.4.1 Capital management (banking operations) (continued)

**Implementation of Basel II guidelines (continued)**

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

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
<b><u>Tier I Capital</u></b>		
Issued capital	5,557,775	5,557,775
Share premium reserve	12,270,124	12,270,124
Legal and statutory reserve	2,451,405	2,198,205
Other reserves	2,869,533	2,869,533
Retained earnings	7,587,509	6,700,409
Tier I Capital notes	4,000,000	4,000,000
Non-controlling interests	46,280	93,820
	<hr/>	<hr/>
Total tier I Capital	34,782,626	33,689,866
Less : Goodwill and intangibles	(5,831,018)	(5,951,611)
Less : Treasury shares	(46,175)	(46,175)
	<hr/>	<hr/>
Total	28,905,433	27,692,080
<b><u>Tier II Capital</u></b>		
Undisclosed reserves / general provisions	3,751,933	2,192,636
Cumulative changes in fair value	110,071	47,655
Hybrid (debt / equity) capital instruments	12,584,215	12,584,215
Subordinated debt	1,837,136	3,236,481
	<hr/>	<hr/>
Total	18,283,355	18,060,987
	<hr/>	<hr/>
Eligible tier II capital	16,686,640	15,873,694
	<hr/>	<hr/>
Total regulatory capital	45,592,073	43,565,774
	<hr/> <hr/>	<hr/> <hr/>
<b>RISK WEIGHTED EXPOSURE</b>		
	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Credit risk	206,506,517	201,074,208
Market risk	1,548,801	2,349,730
Operational risk	14,019,747	13,762,621
	<hr/>	<hr/>
Total	222,075,065	217,186,559
	<hr/> <hr/>	<hr/> <hr/>
Capital Ratio:		
Total regulatory capital as a percentage of total risk weighted assets	20.53%	20.06%
Total tier I capital as a percentage of risk weighted assets	13.02%	12.75%

**40 FINANCIAL RISK MANAGEMENT (continued)**

**40.4.1 Capital management (banking operations) (continued)**

**Fund management**

The Group's banking subsidiary adheres to the regulations set out by the Central Bank of the UAE which has reconfirmed the requirements in relation to Basel II / Pillar 2 in its circular 27/2009, dated 17 November 2009. Further, the Group's banking subsidiary is an active member in the CBUAE working group revising the supervisory guidelines on Basel II / Pillar 2.

According to the guidelines issued by the Central Bank of the UAE, all banks have to prepare a forward-looking capital adequacy assessment and to submit a comprehensive report annually. Whilst 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.

The Bank's forward-looking internal capital adequacy assessment process is based on base-case assumptions, reflecting the Bank's current financial budget and business expectations under conservative business as usual conditions.

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, especially with a focus on Credit risk, risk concentrations and correlations.

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 Economic Capital demand is based on a set of models, with:

- Credit risk – Monte-Carlo simulation based Portfolio Model for credit Value at Risk,
- Market risk – Market Value at Risk complemented by Basel II / standardised approach,
- Operational risk – Basel II / standardised approach,
- Business risk – volatility driven parametric Value at Risk, and
- Interest rate risk / Banking book – Net interest income volatility model (complementary to PV01).

The credit risk quantification model is predominantly based on Basel II compliant internal Ratings and incorporates the relevant correlations and inherent concentration levels. The aggregated capital demand across risk types is the result of a Gaussian Copula model, recognising the importance of Islamic finance, the models employed have also been built to address the specific parameters of such portfolios.

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. Furthermore the outcomes support the development and adjustment of the Bank's contingency plans and planning.

**40.4.1 Capital management (banking operations) (continued)**

**Fund management (continued)**

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.

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; in order to minimise its Model Risk arising from complex capital and funding modelling.

The Group's banking subsidiary 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 banking subsidiary of the Group; further the banking subsidiary of the Group has no recourse to the assets of the funds. Third party funds managed by the banking subsidiary of the Group were AED 4,652 million at 31 December 2011 (2010: AED 4,305 million).

**40.4.2 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 and makes adjustments to it in light of changes in business conditions. The total equity comprises capital, other distributable and non-distributable reserves and retained earnings aggregating to AED 105,251,854 thousand as at 31 December 2011 (2010: AED 256,367,029 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.

## Investment Corporation of Dubai and its Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 41 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

##### SUBSIDIARIES:

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Emirates NBD PJSC	<b>55.64%</b>	55.64%	UAE	Banking
Dubai Aluminium Company Limited	<b>100.00%</b>	100.00%	UAE	Aluminium smelter
Emirates National Oil Co. Limited (ENOC) LLC	<b>100.00%</b>	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)	<b>100.00%</b>	100.00%	UAE	Management of Dubai World Trade Centre Complex
Cleveland Bridge and Engineering Middle East (Private) Limited	<b>51.00%</b>	51.00%	UAE	Contracting for designing, industrial and commercial structures
Emirates	<b>100.00%</b>	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	<b>100.00%</b>	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
Borse Dubai Limited	<b>79.43%</b>	79.43%	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	<b>100.00%</b>	100.00%	UAE	Management of real estate

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Iceberg Limited	<b>100.00%</b>	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Pelegen LLC	<b>100.00%</b>	-	UAE	Engage in real estate management services
Solidity LLC	<b>100.00%</b>	100.00%	UAE	Special purpose vehicle for holding investments
Unity LLC	<b>100.00%</b>	100.00%	UAE	Special purpose vehicle for unregulated proprietary transactions relating to financial instruments including derivatives
Iceberg 2 Limited (formerly Unicorn Limited)	<b>100.00%</b>	100.00%	Cayman Islands	Special purpose vehicle for holding investments
Aswaaq LLC	<b>99.00%</b>	99.00%	UAE	Retail trading
Emaratech (Emarat Technology Solutions) FZ LLC	<b>100.00%</b>	100.00%	UAE	Information technology services for DNRD
Golf in Dubai LLC	<b>99.00%</b>	99.00%	UAE	Management of Golf events
Dubai Duty Free Enterprise	<b>100.00%</b>	100.00%	UAE	Duty Free operations at airports
Dubai Silicon Oasis Authority	<b>100.00%</b>	100.00%	UAE	Property related operations
Dubai Airport Freezone Authority	<b>100.00%</b>	100.00%	UAE	Property related operations
Dubai Real Estate Corporation	-	100.00%	UAE	Property related operations
Deira Waterfront Development LLC	<b>100.00%</b>	100.00%	UAE	Property development management
National Bond Corporation PJSC	<b>100.00%</b>	100.00%	UAE	Finance investment company and is primarily engaged in promoting and setting-up all types of investment funds and projects, and acting as an investment manager.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Emirates NBD PJSC</b>				
Buzz Contact Centre Solutions LLC	<b>100.00%</b>	100.00%	UAE	Call centre management services
Diners Club (UAE) LLC	<b>100.00%</b>	100.00%	UAE	International charge card
Dubai Bank PJSC	<b>100.00%</b>	-	UAE	Islamic Banking
E.T.F.S. LLC	<b>100.00%</b>	100.00%	UAE	Trade finance services
Emirates Financial Services PSC	<b>100.00%</b>	100.00%	UAE	Fund management
Emirates Funds Managers (Jersey) Limited	<b>100.00%</b>	100.00%	Jersey - UK	Asset management
Emirates Loyalty Company LLC (under liquidation)	<b>100.00%</b>	100.00%	UAE	Customer loyalty smart card services
Network International LLC	-	100.00%	UAE	Card services
Emirates NBD Global Funding Limited	<b>100.00%</b>	-	UAE	Medium term borrowing and money market transactions
Emirates NBD Asset Management Ltd. (formerly known as Emirates Investment Services Ltd)	<b>100.00%</b>	100.00%	UAE	Asset management
Emirates Islamic Bank PJSC	<b>99.80%</b>	99.80%	UAE	Islamic Banking
Emirates NBD Capital	-	100.00%	UAE	Investment Banking
Emirates NBD Trust Company (Jersey) Limited	<b>100.00%</b>	100.00%	Jersey - UK	Trust administration services
Emirates NBD Securities LLC	<b>100.00%</b>	100.00%	UAE	Brokerage services
Emirates NBD Properties LLC	<b>100.00%</b>	100.00%	UAE	Real estate
Emirates Money Consumer Finance LLC	<b>100.00%</b>	100.00%	UAE	Consumer finance
Emirates Fund LLC	<b>100.00%</b>	100.00%	UAE	Assets Management
Emirates NBD Capital (KSA) LLC	<b>100.00%</b>	100.00%	KSA	Investment services
Tanfeeth LLC	<b>100.00%</b>	-	UAE	Shared services organisation
<b>List of subsidiaries of National Bonds Corporation PJSC</b>				
National Bonds Limited FZE	<b>100.00%</b>	100.00%	UAE	Investment
First Wharf Tower LLC	<b>100.00%</b>	100.00%	UAE	Real estate development
National Properties LLC	<b>100.00%</b>	100.00%	UAE	Management services
Sky Courts LLC	<b>100.00%</b>	100.00%	UAE	Real estate development
Body Corporate Services LLC	<b>51.00%</b>	51.00%	UAE	Facility management
National Healthcare LLC	<b>100.00%</b>	100.00%	UAE	Healthcare
Dubai Cup LLC	<b>100.00%</b>	100.00%	UAE	Sports clubs & facility management
Alpha Utilities Management Services LLC	<b>100.00%</b>	-	UAE	Utilities management

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Dubai Real Estate Corporation</b>				
WASL LLC	-	99.00%	UAE	Management of WASL Hospitality LLC, WASL properties LLC and Dubai Golf LLC
WASL Hospitality LLC	-	99.00%	UAE	Management of hospitality business of DREC
WASL Properties LLC	-	99.00%	UAE	Management of properties business of DREC
Dubai Golf LLC	-	99.00%	UAE	Management of golf courses and relates activities
<b>List of subsidiaries of Dubai Aluminium Company Limited</b>				
Dubal America Inc.	<b>100.00%</b>	100.00%	USA	Aluminium supply
Dubal Smelter Development FZE	<b>100.00%</b>	100.00%	UAE	Aluminium supply
Dubal Korea Limited	<b>100.00%</b>	100.00%	Korea	Aluminium supply
Dubal Europe AG Subsidiary of Dubal Europe AG	<b>100.00%</b>	100.00%	Switzerland	Aluminium supply
Dubal EU Imports S.R.L.	<b>100.00%</b>	100.00%	Italy	Aluminium supply
<b>List of subsidiaries of Borse Dubai Limited</b>				
Dubai Financial Market PJSC (DFM)	<b>79.68%</b>	79.63%	UAE	Financial investment, instruments, consultancy and brokerage
Nasdaq Dubai Limited (NASDAQ Dubai)	<b>86.45%</b>	100.00%	UAE	Financial investment, instruments, consultancy and brokerage
<b>List of subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC</b>				
Dubai Natural Gas Company Limited	<b>100.00%</b>	100.00%	UAE	Production of MTBE, propane, butane and heavier NGL
Emirates Gas LLC	<b>100.00%</b>	100.00%	UAE	Supply of LP Gas, propane and Aerosol Propellants
Emirates National Oil Company (Singapore) Private Limited	<b>100.00%</b>	100.00%	Singapore	Wholesale trading in all petroleum products
ENOC International Sales LLC	<b>100.00%</b>	100.00%	UAE	Marketing and selling of oil
ENOC Processing Company LLC	<b>100.00%</b>	100.00%	UAE	Condensate processing
ENOC Properties LLC	<b>100.00%</b>	100.00%	UAE	Real estate
ENOC Supply and Trading LLC	<b>100.00%</b>	100.00%	UAE	Oil development and trading.
Emirates Petroleum Products Company LLC.	<b>100.00%</b>	100.00%	UAE	Retail trading of oil
Global Technology Services LLC	<b>100.00%</b>	100.00%	UAE	IT Consulting and Implementation services
Horizons Terminals Limited	<b>100.00%</b>	100.00%	Bahamas	Storing bulk liquid oil products, drumming facilities, blending
Horizon Jebel Ali Terminals Limited	<b>100.00%</b>	100.00%	Bahamas	Terminalling and storage
Cylingas Company LLC	<b>100.00%</b>	100.00%	UAE	Designs, fabricates and supplies LPG cylinders
Dragon Oil Plc	<b>51.90%</b>	51.44%	Ireland	Oil development and production



Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

SUBSIDIARIES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Emirates National Oil Co. Limited (ENOC) LLC (continued)</b>				
Horizon Singapore Terminals Private Limited	<b>52.00%</b>	52.00%	Singapore	Terminalling and storage
ENOC Fuel Supply Company LLC	<b>100.00%</b>	100.00%	UAE	Retail trading of oil
Dubai Shipping Co. LLC	-	100.00%	UAE	Shipping and storage
ENOC Commercial & distribution LLC	<b>100.00%</b>	100.00%	UAE	Retail trading of oil
ENOC Lubricants & grease manufacturing plant LLC	<b>100.00%</b>	100.00%	UAE	Trading of oil and other services
<b>List of subsidiaries of Emaratech (Emarat Technology Solutions) FZ LLC</b>				
Med Services Laboratory	-	100.00%	UAE	Medical laboratory with center for radio diagnostic facilities
Aamal	<b>100.00%</b>	100.00%	UAE	Services for typing, photocopying document clearing, and facilities management
Datel System & Software LLC	<b>100.00%</b>	100.00%	Jordan	Installation and operation of e-gates in Kingdom of Jordan.
Zajel Courier Services	<b>100.00%</b>	100.00%	UAE	Letters and post items delivery, parcels delivery and documents transport
Emirates Real Estate Services	<b>100.00%</b>	100.00%	UAE	Information technology consultancy and operations.
Zajel FZE, UAE	<b>100.00%</b>	-	UAE	Letters and post items delivery, parcels delivery and documents transport.
<b>List of subsidiaries of Dubai Airport Freezone Authority</b>				
DAFZA Investments FZE	<b>100.00%</b>	100.00%	UAE	Investment company.
DAFZA Economics & Free Zone Management FZE	<b>100.00%</b>	-	UAE	Managing economic and free zone.
<b>List of subsidiaries of Dubai Silicon Oasis Authority</b>				
Dubai Silicon Oasis Inc.	<b>100.00%</b>	100.00%	USA	Sales and marketing
Dubai Circuit Design FZE	<b>100.00%</b>	100.00%	UAE	Semiconductor Design services
University Development FZE	<b>100.00%</b>	100.00%	UAE	University Development
Silicon Real Estate LLC	<b>100.00%</b>	100.00%	UAE	Real estate management services
DSO-1 FZE	<b>100.00%</b>	100.00%	UAE	Holding Company

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### SUBSIDIARIES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Emirates</b>				
Maritime & Mercantile International Holding LLC	100.00%	100.00%	UAE	Holding Company
Maritime & Mercantile International LLC	68.70%	68.70%	UAE	Wholesale and retail of consumer goods
Emirates Leisure Retail LLC	68.70%	68.70%	UAE	Food and beverage operations
Emirates Leisure Retail Holding LLC	100.00%	100.00%	UAE	Holding company
Emirates Hotel LLC	100.00%	100.00%	UAE	Hotel operations
Emirates Hotel (Australia) Pty Ltd.	100.00%	100.00%	Australia	Hotel operations
Emirates Flight Catering Company LLC	90.00%	90.00%	UAE	Catering services to airlines
Emirates Leisure Retail (Oman) LLC	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
<b>List of subsidiaries of Dnata</b>				
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	Investment company
Changi International Airport Services Pte Ltd.	-	100.00%	Singapore	Aircraft handling and catering services
MMI Travel LLC	100.00%	100.00%	UAE	Travel agency
Dnata GmbH	100.00%	100.00%	Austria	Investment company
Dnata Switzerland AG	100.00%	100.00%	Switzerland	Aircraft handling services
Al Hidayah Travel WLL	90.00%	90.00%	Bahrain	Travel agency
Cleopatra WLL	90.00%	90.00%	Bahrain	Travel agency
Plane Handling Ltd.	-	100.00%	UK	Aircraft handling services
Dnata Aviation Services Ltd.	100.00%	100.00%	UK	Investment company
Mercator Asia 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	Investment 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
Alpha Services Pty Ltd.	100.00%	100.00%	Australia	In-flight catering
Alpha Flight Services BV	100.00%	100.00%	Netherlands	In-flight catering
Alpha Flight Ireland Limited	100.00%	100.00%	Ireland	In-flight catering
Alpha Airport Services EOOD	100.00%	100.00%	Bulgaria	In-flight catering
Alpha Flight a.s	100.00%	100.00%	Czech Republic	In-flight catering
Dnata Limited	100.00%	-	UK	Aircraft handling services

Investment Corporation of Dubai and its Subsidiaries  
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 At 31 December 2011

**41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)**

**SUBSIDIARIES: (continued)**

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of subsidiaries of Dnata (continued)</b>				
Dnata Singapore Ltd.	100.00%	-	Singapore	Aircraft handling and catering services
DWT International Private Limited	100.00%	-	India	Travel agency
Dnata World Travel Limited	75.00%	-	UK	Holding company
Travel Republic Limited	75.00%	-	UK	Online travel services
Alpha Flight US LLC	100.00%	100.00%	USA	In-flight catering
Alpha Rocas SA	64.20%	64.20%	Romania	In-flight catering
Alpha Flight Services UAE	49.00%	49.00%	UAE	In-flight catering
Jordan Flight Catering Company Ltd	35.87%	35.87%	Jordan	In-flight catering
<b>List of subsidiaries of Dubai World Trade Centre (LLC)</b>				
DWTC Investments (Bahamas) Ltd	-	100%	Bahamas	Investment Company
Novotel World Trade Centre LLC	100.00%	100%	UAE	Hotel management
Ibis World Trade Centre LLC	100.00%	100%	UAE	Hotel management
Wisma Development Pte Limited (under liquidation)	100.00%	100%	Singapore	Property management
Al Khaleej Investments (s) Pte. Limited	-	100%	Singapore	Investment Company
Surge Capital Pte Limited (under liquidation)	100.00%	100%	Singapore	Investment Company
Maximus - DWTC Holdings Limited	-	100%	British Virgin Islands	Investment Company
DWTC Investments Limited	-	100%	British Virgin Islands	Investment Company
<b>ASSOCIATES:</b>				
Emaar Properties PJSC	29.38%	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	29.80%	29.80%	UAE	Banking
Commercial Bank of Dubai	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.

# Investment Corporation of Dubai and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

### 41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

#### ASSOCIATES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Emirates Investment & Development PSC	<b>27.92%</b>	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	<b>25.00%</b>	25.00%	UAE	Real estate development
HSBC Middle East Finance Company Limited	<b>20.00%</b>	20.00%	UAE	Provision of hire purchase finance for the purchase of motor vehicles and equipment.
Emirates Refreshments Company	<b>20.00%</b>	20.00%	UAE	Bottling and selling mineral water as well as manufacturing plastic packs and bottles
Noor Islamic Bank PJSC	<b>25.00%</b>	25.00%	UAE	Banking
Noor Investment Group	<b>25.00%</b>	25.00%	UAE	Investment company
Dubai Aerospace Enterprises *	<b>51.40%</b>	33.40%	UAE	Operations in aircraft leasing, maintenance, repair and overhaul.

\* was treated as an AFS investment in the prior year.

#### List of associates of Emirates NBD PJSC

Union Properties PJSC	<b>47.60%</b>	47.60%	UAE	Real estate
National General Insurance Co. PSC	<b>36.70%</b>	36.70%	UAE	General and life insurance

#### List of associates of Dubai Aluminium Company Limited

Guniea Aluminium Corporation BVI	<b>25.00%</b>	25.00%	British Virgin Islands	Aluminium products
Dubai Carbon Centre for Excellence	<b>25.00%</b>	-	UAE	Consultancy on renewable energy, carbon control system and carbon credit rating

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

United Gulf Aircraft Fuelling Co. LLC	<b>49.00%</b>	49.00%	KSA	Aviation fuel marketing
Horizon Djibouti Terminals Ltd	<b>40.00%</b>	40.00%	Djibouti	Terminalling and storage
Arabtank Terminals Ltd	<b>36.50%</b>	36.50%	KSA	Terminalling and storage
Gulf Energy Maritime (GEM) PJSC	<b>35.00%</b>	35.00%	UAE	Bunkering and oil related shipping activities
Vopak Horizon Fujairah Ltd (VHFL)	<b>33.00%</b>	33.00%	Gibraltar	Bunkering and oil related shipping activities

#### List of associates of Dnata

Dubai Express LLC	<b>50.00%</b>	50.00%	UAE	Freight clearing and forwarding
Gerry's Dnata (Private) Ltd	<b>50.00%</b>	50.00%	Pakistan	Aircraft handling services
Xi'an Dnata Aviation Services Ltd	-	45.00%	China	Aircraft handling
MindPearl AG	<b>49.00%</b>	49.00%	Switzerland	Contract centre operation
MindPearl South Africa Pty Ltd.	<b>49.00%</b>	49.00%	South Africa	Contract centre operation

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

ASSOCIATES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of associates of Dnata (continued)</b>				
Hogg Robinson Group Plc	22.40%	23.20%	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
<b>List of associates of Borse Dubai Limited</b>				
Nasdaq OMX Group Inc.	17.16%	16.94%	U.S.A	Stock Exchange
London Stock Exchange plc.	20.65%	20.65%	UK	Stock Exchange
<b>List of associates of Dubai Silicon Oasis Authority</b>				
German Business Park FZCO	32.00%	32.00%	UAE	Mixed use property development
<b>List of associates of National Bonds Corporation PJSC</b>				
Souk Extra	13.07%	13.07%	UAE	Community shopping centres
<b>JOINT VENTURES:</b>				
	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Dubai Cable Company (Private) Limited	50.00%	50.00%	UAE	Manufacture and sales of power cables, control cables, building wires and lead cables.
<b>List of Joint Ventures of Emirates NBD PJSC</b>				
Sinnad WLL	-	49.00%	Bahrain	Third party ATM & card processing services
Obernet LLC	-	51.00%	UAE	Card embossing services
Network International LLC	51%	-	UAE	Card processing services
<b>List of joint ventures of Dubai Aluminium Company Limited</b>				
Emirates Aluminium Company Ltd	50.00%	50.00%	UAE	Aluminium smelters
Emirates Aluminium International	50.00%	50.00%	Cayman Island	Investment Company
Hydromine Global Minerals GmbH Limited	45.00%	45.00%	Cameroon	Minerals trader
Raykal Aluminium Company Private Ltd	20.00%	20.00%	India	Aluminium Smelters.
<b>List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC</b>				
EPPCO International Ltd	50.00%	50.00%	Bahamas	Marketing of petroleum products and retailing at service stations

Investment Corporation of Dubai and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

41 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

JOINT VENTURES: (continued)

	<i>Ownership interest 2011</i>	<i>Ownership interest 2010</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
<b>List of joint ventures of Emirates National Oil Co. Limited (ENOC) LLC (continued)</b>				
Horizon Taeyoung Korea Terminals Ltd.	50.00%	50.00%	South Korea	Terminalling and storage
EPPCO Projects LLC	51.00%	51.00%	UAE	Operation of EPPCO Aviation and EPPCO Lubricants.
Dubai Carbon Centre for Excellence	25.00%	-	UAE	Consultancy on renewable energy, carbon control system and carbon credit rating
<b>List of joint ventures of Dnata</b>				
PAL PAN Airport Logistics LLC (formerly known as Dnata – PWC Airport Logistics LLC)	50.00%	50.00%	UAE	Logistics services
Dnata Saudi Travel Agency	-	70.00%	KSA	Travel agency
Transguard Group LLC *	100.00%	100.00%	UAE	Security services
Toll Dnata Airport Services	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
Najim Travel	50.00%	50.00%	Afghanistan	Travel agency
Al Tawfeeq Travels LLC	50.00%	50.00%	Qatar	Travel agency
Servair Air Chef SRL	50.00%	50.00%	Italy	In-flight catering services
Dnata Travel Limited	70.00%	-	KSA	Travel agency
Wings Inflight Services (Pty) Ltd.	50.00%	-	South Africa	In-flight catering 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) Pvt. Ltd	50.00%	50.00%	UAE	Flight simulator training
CAE Middle East Holdings Limited	50.00%	-	UAE	Holding company
Independent Wine and Spirit (Thailand) Company Limited	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.

**42 SUBSEQUENT EVENTS**

- 1) In January 2012, Emirates Islamic Bank (EIB), one of the indirect subsidiaries of the Group, has successfully completed the issuance of US\$ 500 million Sukuk Certificates, maturing in 2017 of their US\$ 1,000 million Trust Certificate Issuance Programme. The programme is guaranteed by Emirates NBD, rated A3 by Moody's and A+ by Fitch.
- 2) Subsequent to the year-end, ICD acquired certain assets from a related party for an amount of USD 280 million. This includes the acquisition of a 100% holding in a group of companies and certain real estate assets. This acquisition will be accounted for in the consolidated financial statements for the year ending 31 December 2012.
- 3) On 6 June 2012, one of the subsidiaries of the Group has announced a USD 200 million market share buyback program to purchase up to a maximum of 5% of the issued share capital of this subsidiary.

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