



A CONNECTED BUSINESS

Abu Dhabi National Energy Company PJSC (TAQA)
Annual Report and Accounts 2013

A proven operator





OIL & GAS

612.4 mmboe

Proven and probable reserves

142.3 mboed

Total average daily production

4.7 billion Nm³*

Gas storage capacity

*4.1 billion Nm³ is under construction



POWER & WATER

16,395 MW

Gross Power Generation Capacity

76,712 GWh

Gross Power Generation

887 MIGD

Gross Water Desalination Capacity

253,420 MIG

Gross Water Desalination



ENERGY SOLUTIONS

205.5 MW

Gross Wind Power Generation Capacity

100 MW*

Hydro Power Generation Capacity

*under construction



We are a dynamic energy company headquartered in Abu Dhabi, operating large-scale, strategic energy assets, with a presence in 11 countries.

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AN OVERVIEW OF OUR BUSINESS

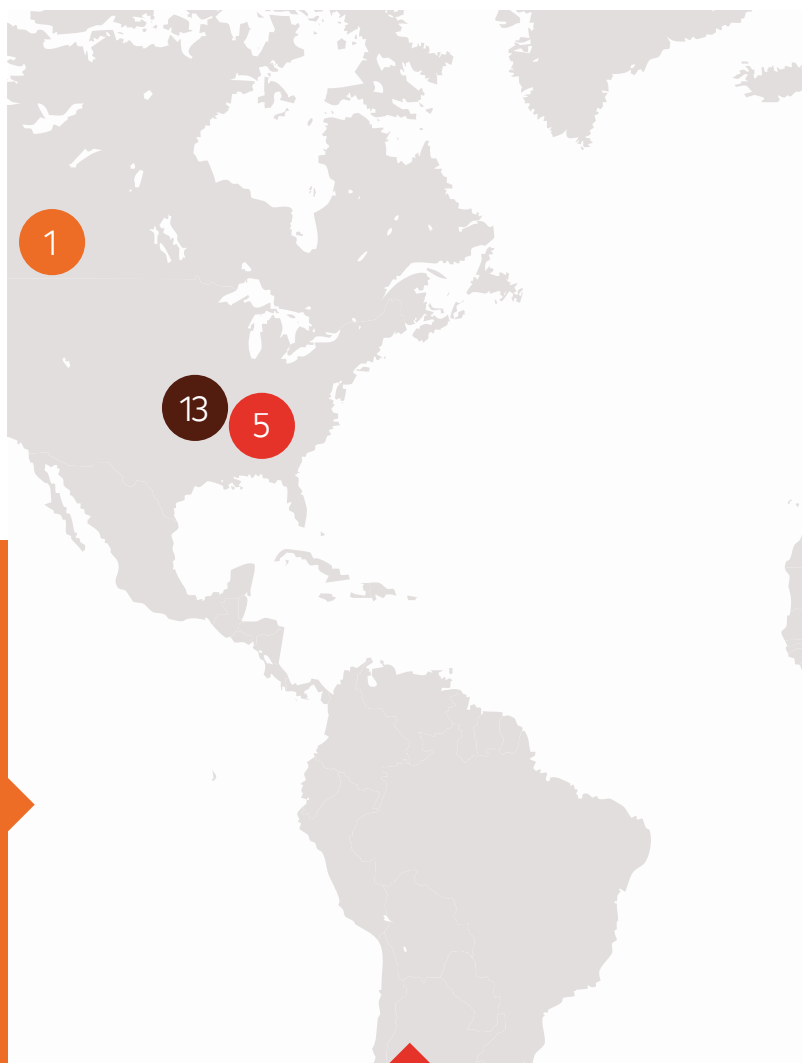
In 2013 TAQA continued to develop its portfolio consolidating its reputation as a centre for excellence in the energy sector.



OIL & GAS

The Oil & Gas stream continued to demonstrate competent operatorship: in the Kurdistan region of Iraq, where we are using our skills to develop the Atrush field; in the North Sea where we have assumed new stewardship of assets, and in North America where we have returned our strongest year in five years.

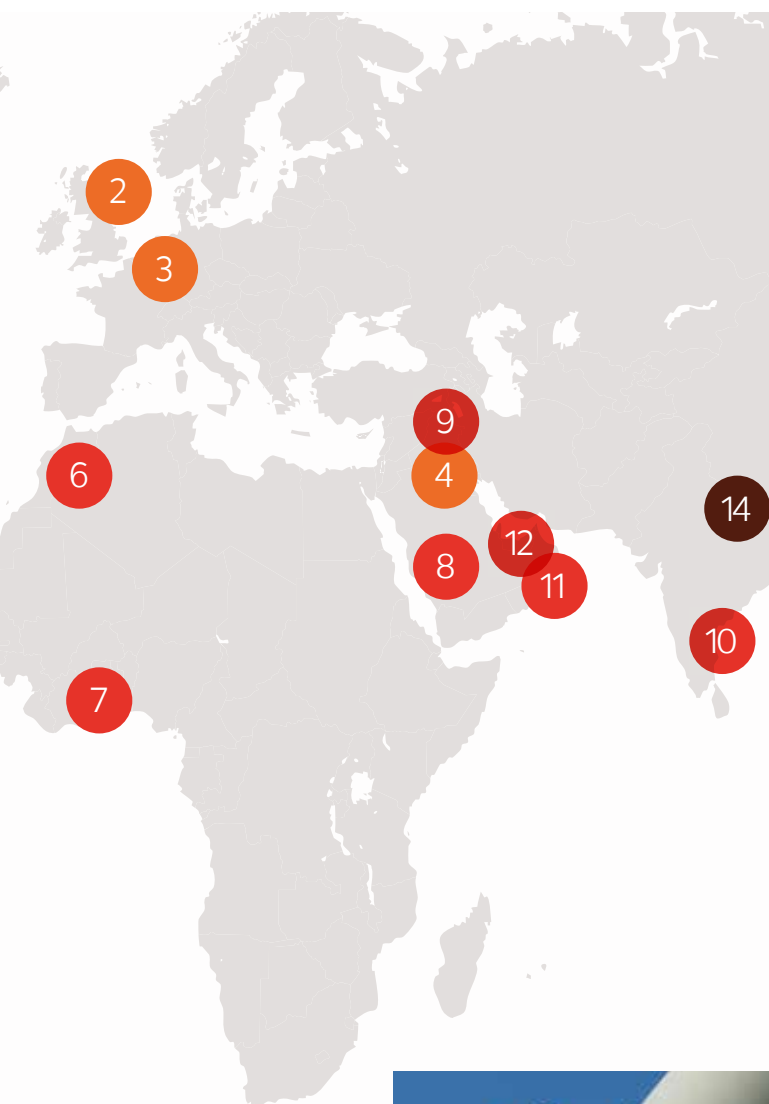
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POWER & WATER

In the course of the year we have consistently demonstrated we can deliver the human effort, energy and creativity to bring-in large, complex projects, on time and within budget. It has been our people who have made that happen through significant effort and personal sacrifice.

 More on page **22**


ACTIVITY BY GEOGRAPHY AND BUSINESS STREAM
OIL & GAS

	2P Reserves mmbae	Average Production mboe/day	Gas Storage Capacity million Nm ³
1 NORTH AMERICA	443.5	87.1	75
2 UNITED KINGDOM	142.3	47.0	—
3 THENETHERLANDS	14.1	8.2	500 4,100**
4 IRAQ	12.5	—	—

POWER & WATER

	Gross Power Generation Capacity MW	Gross Power Production GWh
5 USA	832	3,728
6 MOROCCO	1,356 700**	9,820
7 GHANA	220 110**	1,032
8 SAUDI ARABIA	250	1,849
9 IRAQ*	1,000	—
10 INDIA	250	1,656
11 OMAN	1,000	—
Captive Power plant and Aluminium Smelter		
12 UAE	12,487	58,627
	Gross Water Desalination Capacity MIGD	Gross Water Production MIG
12 UAE	887 30**	253,420

ENERGY SOLUTIONS


	Gross Wind Power Generation Capacity MW	Hydro Power Generation Capacity MW
13 USA	205.5	—
14 INDIA	—	100**

*Pending final approvals

**Under construction


ENERGY SOLUTIONS

This business area has responsibility for developing alternative and advanced technology solutions for energy production and generation. We aim to introduce new technical concepts to our work, enabling us to realise alternative energy projects and to improve efficiency.

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A YEAR IN REVIEW

GROUP HIGHLIGHTS

TAQA expanded its international presence, with Oil & Gas acquisitions in the UK North Sea and the Kurdistan region of Iraq. Our Power & Water business saw growth in Morocco, India and Ghana, and Energy Solutions entered the US market.



OIL & GAS HIGHLIGHTS

APRIL

Field development plan for Cladhan approved by the UK government

JUNE

Completion of acquisition of the Harding platform and associated assets in the UK Central North Sea

OCTOBER

Field Development Plan for Atrush field approved by the Kurdistan Regional Government

 More on page 16



CORPORATE HIGHLIGHTS

JULY

The issue of a US\$ 825 million bond to fund Shuweihat 2 Power and Desalination Plant

DECEMBER

HQ reorganisation to enhance efficiency, manage costs and position TAQA as the leading international energy and water operator from Abu Dhabi

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POWER & WATER HIGHLIGHTS

APRIL

President of Ghana inaugurates Takoradi power plant expansion

DECEMBER

Jorf Lasfar Energy Company, TAQA's Moroccan subsidiary, sees IPO oversubscribed on Casablanca Stock Exchange



More on page 22



ENERGY SOLUTIONS HIGHLIGHTS

JANUARY

Entry into the US market with a 205.5 MW wind farm investment

FEBRUARY

Companies invited to pre-qualify for the engineering, procurement and construction contract for the UAE's first waste-to-energy plant



More on page 28

CHAIRMAN'S STATEMENT



“TAQA is working towards Abu Dhabi Vision 2030, a blueprint for economic development of the Emirate ... and we are poised to roll out projects that will ensure the continued growth of the country's energy industry”

HAMAD AL-HURR AL SUWAIDI
CHAIRMAN

TAQA is coming of age as an international energy and water operator.

Since our foundation in 2005, we have gained international operational expertise across the energy value chain such that today we can compete with the best in the world.

This evolving track record of operations, whether managing the pipeline system that delivers the world's benchmark North Sea crude oil, Brent Blend, or running Morocco's largest power generation plant, presents a unique array of opportunities both for Abu Dhabi and the rest of the world.

For our partners around the world, TAQA's long-term approach offers security and fosters trust. From drilling rigs in the frozen foothills of the Rockies, to offshore platforms in the inclement North Sea and power plants on Africa's wind-swept Atlantic coast, TAQA's people have earned an enviable reputation as trusted stewards of strategic national resources and drivers of growth in every country and community where we operate. This explains why we have seen such success with capital intensive infrastructure projects around the world. And we continue to see great demand for our skills and services in developing, financing, building and operating energy and water facilities. In Morocco, for example, our US\$ 1.6 billion expansion of the Jorf Lasfar power plant is coming to completion, and this is already opening interesting new avenues for investment.

Closer to home, TAQA is working towards Abu Dhabi Vision 2030, a blueprint for economic development of the Emirate. Through our majority ownership of Abu Dhabi's fleet of gas fired power generation and desalination plants, we support the energy and water security of the nation. And we are poised to roll out several new projects to ensure the security and sustainability of the national energy and water supply in the future.

Our international scope has enabled us to gain world-class expertise in an industry of critical national importance. This means we can offer our employees, including growing numbers of UAE Nationals, the chance to develop the skills needed to take on the energy and water challenge of our times.

TAQA grew quickly in the years following our foundation, and has progressively built a world-class corporate centre to support a diverse international portfolio. Enhanced capabilities at the centre have provided strategic focus and enabled us to identify efficiencies and manage risks for the enterprise as a whole.

The new capability we have developed in Abu Dhabi is already bearing fruit, for example in our recent entry into Iraq, where interdisciplinary teams from diverse geographies were pulled together to develop significant new opportunities there across the energy value chain.

TAQA's evolving expertise and maturity set the business up for success in the future. Whether bringing our skills to bear on the energy and water challenges of the UAE, or winning new business abroad on behalf of Abu Dhabi, TAQA is in a unique position to take advantage of the many opportunities offered by this critical sector in the future.

Our prudent approach and focused investment strategy are underpinned by strong support from the Government of Abu Dhabi. This is a combination that has won support from our financial stakeholders, from our shareholders in the UAE and Morocco to our creditors around the world.

I am pleased that TAQA is in great shape to face the future as we plan for a leadership succession in 2014. H.E. Abdulla Saif Al Nuaimi, who will take over as Executive Vice Chairman, has been with the company since its inception and will provide invaluable leadership on external affairs and government relations. Edward LaFehr brings a wealth of expertise from our North American business and a track record from the industry, to his new role as Chief Operating Officer.

I would like to express our gratitude and appreciation to His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates, and His Highness General Sheikh Mohamed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, Deputy Supreme Commander of the UAE Armed Forces, and Chairman of Abu Dhabi Executive Council for their contribution to TAQA's continued development.

“Evolving expertise and maturity has set the business up for success in the future ... (and) our international scope has enabled us to learn the skills needed to take on the energy and water challenge of our time”



1



3



2

- 1. Tern platform, North Sea
- 2. Abu Dhabi Emirate, UAE
- 3. PGI, the Netherlands

LETTER FROM THE CHIEF EXECUTIVE OFFICER



“TAQA is a market leader in transparency and good governance, which is a key ingredient to our success. Our company values reinforce the trust we have in each other, and the trust our stakeholders have in TAQA”

CARL SHELTON
CHIEF EXECUTIVE OFFICER

We made good progress towards our strategic goals in 2013, in line with our four guiding principles: operational excellence, prudent acquisitions, conservative financial management and strong ties to the Government of Abu Dhabi.

Our largest construction projects in Morocco, the Netherlands and Ghana proceed on time and on budget; we successfully floated a stake in our Moroccan power business; we achieved a significant improvement in the performance of North America; and continued to manage our portfolio prudently.

While our focus remains firmly on enhancing the quality of our earnings through capital efficiency and operational excellence, we are also laying the foundations for the future.

The Atrush oil and gas concession in the Kurdistan region of Iraq represents a game changer for TAQA, being our major first operated business in the region, with substantial upside for reserves and production as we proceed with exploration and appraisal.

Increasingly judged not just on what we do, but how we do it, TAQA's employees and wider contractor base have embraced our company values in a way that reinforces the trust we have in each other, and the trust of our stakeholders have in TAQA. This has helped us in the market entry in Iraq, for example, where employees from several different businesses lived up to our “Stronger Together” value and contributed to a successful launch of that business.

In the Netherlands, Gas Storage Bergermeer reached its peak construction phase. I am particularly proud of our approach to sustainability here, where we have gone to great lengths to minimise the impact of the drilling on the local community and wildlife, while supporting arts and culture in the area around Alkmaar.

In Ghana, we passed the half-way mark on the expansion of the Takoradi plant, which will raise generation capacity by half without producing any more emissions or using any more fuel.

In Morocco, the construction of 700 megawatts of additional capacity at the Jorf Lasfar plant is nearing completion. The first of two new units was synchronised to the grid in October last year, with the second unit synchronised in February 2014. This new capacity will drive growth and prosperity in Morocco, which needs more power to meet the growing needs of the population and economy.

The successful flotation of a 14.2% stake in the Moroccan business on the Casablanca stock exchange crowned a year of high achievement there. Gaining these new partners in the business weaves TAQA more deeply into the fabric of the Moroccan economy and demonstrates our commitment to prudent financial management.

In North America, our reorganisation has delivered the same activity through a simpler structure at a lower cost. Crucially, we have improved the financial performance while achieving an industry-leading safety and environmental performance. We are well on the way to achieving our vision to become a leading intermediate oil and gas company in the region. The new sense of optimism around our North American business has become a powerful force within the company.

TAQA is a market leader in transparency and good governance, which is a key ingredient to our success. Openness builds trust, and helps us to attract co-investors, such as in Morocco and Ghana, where we attracted almost US\$ 2 billion of project finance at rates that compare favourably with the respective sovereign borrowers.

Our strong ties to the Government of Abu Dhabi produce unique opportunities for growth, especially in our home region. We are also seeking to leverage our position as the largest owner of power and water assets in the UAE to bring solutions to the energy challenges we face in the UAE, through projects including waste-to-energy, solar cooling and demand-side management.

The one-off, non-cash impairment we took on our balance sheet in 2013 was in line with other participants in the North American natural gas market, and reflects the decline in asset values that have been witnessed across the industry in recent years. On the positive side, this adjustment demonstrates our prudent approach to financial management, and will enable this business to create more value in the future by moderating the impact of depreciation in 2014 and beyond.

As I prepare to step down from the role of Chief Executive Officer in 2014, I am confident I am leaving the business in great shape to face the future.

I would like to express my gratitude and appreciation to our Board of Directors and the Government of Abu Dhabi for their continued and unwavering support.

“Our strong ties to the Government of Abu Dhabi produce unique opportunities for growth (and) our prudent approach to financial management ... will enable this business to create more value in the future”



1. Emiratisation career fair, Tawdheef
2. Taweelah A2 power plant, UAE



BOARD OF DIRECTORS



1 HIS EXCELLENCY HAMAD AL-HURR AL-SUWAIDI CHAIRMAN OF THE BOARD SINCE 2005

Hamad Al-Hurr Al-Suwaidi serves as Chairman of the Board and was appointed in 2005 and re-elected in 2011. He has also been a member of the Executive Council of the Emirate of Abu Dhabi since 2004 and is Chairman of the Abu Dhabi Department of Finance. His Excellency's strategic vision and foresight have been instrumental in involving the private sector within the Emirate's economic growth and activating the public-private partnership. This was achieved through his involvement on the boards of several high-profile entities including: the Supreme Petroleum Council, Abu Dhabi Investment Authority, Mubadala and the International Petroleum Investments Company. His Excellency is also the Chairman of the Financial Support Fund for Farm Owners in the Emirate of Abu Dhabi.

2 HIS EXCELLENCY ABDULLA SAIF AL-NUAIMI, VICE CHAIRMAN BOARD MEMBER OF TAQA SINCE 2005

Abdulla Saif Al-Nuaimi serves as Vice-Chairman of TAQA. In February 2014 he was given additional responsibilities and was given a part-time executive role assuming responsibility for TAQA's government and strategic relations and external affairs. He was previously appointed as the company's Chief Executive Officer and Managing Director in 2011 and 2010. He is also Advisor for Abu Dhabi Water and Electricity Authority (ADWEA); and Chairman of Abu Dhabi Transmission and Dispatch Company, Abu Dhabi Distribution Company, Abu Dhabi Water and Electricity Company and Al Taweela Asia Power Company. He is a member of the Follow up Committee of the Initiatives of UAE President, and serves on the board of First Energy Bank, and the Federal Electricity and Water Authority. He held the positions of Director General of ADWEA, Chairman of Al Wathba Central Services, Deputy Director General of Abu Dhabi Water and Electricity Company, Board Member of Abu Dhabi Sewerage Services Company, Oman Insurance Company and Madaares, and Senior Analyst at Abu Dhabi Investment Authority (ADIA). He holds a BSc in Business Management.

3 HIS EXCELLENCY ABDULAZIZ ABDULRAHMAN AL-HEMAIDI BOARD MEMBER OF TAQA SINCE 2011

Abdulaziz Abdulrahman Al-Hemaidi was appointed to the Board in 2011. He is a Civil Engineering graduate from UAE University who joined ADWEA in 1997. Since then he has held a number of key positions and is currently an Advisor in Al Ain Distribution Company. Prior to that, he was Abu Dhabi Water and Electricity Company's Managing Director, and Abu Dhabi Distribution Company's Managing Director. Before joining ADWEA, Mr Al-Hemaidi held key positions at Abu Dhabi Health Services Company, Al Ain International Airport and the Privatisation Committee for Water and Electricity Sector of the Emirate of Abu Dhabi.

4 HIS EXCELLENCY SAEED MUBARAK AL-HAJERI BOARD MEMBER OF TAQA SINCE 2011

Saeed Mubarak Al-Hajeri was appointed to the Board in 2011. He holds a Bachelor of Business Administration from Lewis & Clark College in the United States and a Chartered Financial Analyst designation, and attended the Executive Education Program at Harvard Business School. He has more than 19 years' experience in international finance. He was distinguished and elected by the World Economic Forum in 2007 as one of the top 250 Young Global Leaders for his contribution to the public and financial sectors in the United Arab Emirates. He is currently the Executive Director, Information Technology Department, at ADIA. In addition, His Excellency is a governor of the Board of CFA Institute and a member of the Executive Advisory Boards of MSCI Barra and Zayed University. He also serves on the boards of various other Abu Dhabi and UAE government entities.

5 HIS EXCELLENCY SALEM SULTAN AL-DHAHERI BOARD MEMBER OF TAQA SINCE 2011

Salem Sultan Al-Dhaheri was appointed to the Board in 2011. He is currently Deputy Director at ADIA, having held various positions since joining in 1993. A Certified Public Accountant since 1994, he graduated with a Bachelor of Science degree in Accounting from Metropolitan State College in Denver. He is also a member of several semi-government companies' Audit Committees and number of public and private companies' Board and Audit Committees. In addition, His Excellency is a member of the Illinois CPA Society, the American Institute of Certified Public Accountants and the Institute of Leadership and Management in the United Kingdom.

6 HIS EXCELLENCY AHMED MOHAMED AL-MEHAIRI BOARD MEMBER OF TAQA SINCE 2011

Ahmed Mohamed Al-Mehairi was appointed to the Board in 2011. He is currently the Legal Division Manager at ADWEA. Before this, he was a Legal Expert (Privatisation Directorate) at ADWEA and Legal Advisor to the Department of Under Secretary Office at the Ministry of Interior. His Excellency has a Bachelor of Law degree from the Abu Dhabi Police Academy and a Master's degree in United States Legal Studies from Case Western Reserve University in Ohio.

7 MR CARL SHELDON BOARD MEMBER OF TAQA SINCE 2011

Carl Robert Sheldon was appointed as member of the Board and then as TAQA's Chief Executive Officer in 2011. Previously, Mr Sheldon held positions with TAQA as General Counsel, Deputy General Manager and General Manager. Before joining TAQA, he was a partner with Allen & Overy LLP where his main focus was the energy sector. During more than 20 years of practice, he has been involved in many major international oil, gas and power projects. At Allen & Overy, he was also instrumental in building the firm's German and United States operations. Mr Sheldon is a qualified lawyer admitted to practice in the state of New York and in England. He holds a Master's degree from Cambridge University.

www.taqaglobal.com

EXECUTIVE MANAGEMENT



1 **CARL SHELDON** CHIEF EXECUTIVE OFFICER

Carl Robert Sheldon was appointed as member of the Board and then as TAQA's Chief Executive Officer in 2011. Previously, Mr Sheldon held positions with TAQA as General Counsel, Deputy General Manager and General Manager. After six years at TAQA, Mr Sheldon has decided to step down as Chief Executive Officer and Member of the Board of Directors, effective at the Annual General Meeting in April 2014. Mr Sheldon will remain as Chairman of Jorf Lasfar Energy Company (JLEC), TAQA's newly-listed Moroccan power business, and will serve as an Advisor to the Board of Directors of TAQA. Before joining TAQA, he was a Partner with Allen & Overy LLP, where his main focus was the energy sector. During more than 20 years of practice, he has been involved in many major international oil, gas and power projects. At Allen & Overy, he was also instrumental in building the firm's German and United States operations. Mr Sheldon is a qualified lawyer admitted to practice in the state New York and in England. He holds a Master's degree from Cambridge University and is a United States national.

2 **EDWARD LAFEHR** CHIEF OPERATING OFFICER

Edward LaFehr is appointed as Chief Operating Officer and will take on all responsibilities of Mr Sheldon. Mr LaFehr joined TAQA in 2012 as President of the company's North American operations. Over the recent 18 months, he led the transformation of TAQA's largest subsidiary company. Prior to joining TAQA, Mr. LaFehr was Senior Vice-President at Talisman Energy Inc, with responsibility for its Canadian business. Mr. LaFehr has experience in the LNG business, leading a business within production-sharing contracts (Managing Director for JV company in Egypt), as well as developing and operating unconventional resources at scale. He is a 32-year veteran of the energy industry and has worked in a variety of locations in North America as well as Scotland, Egypt and Trinidad & Tobago. He began his career in subsurface exploration and development in the 1980s with Amoco in Denver. Since then Mr LaFehr has held operational and commercial roles, and he has led large and complex operations in multiple jurisdictions and cultures. He holds a Master of Science in Geophysics from Stanford University and a MSc in Mineral Economics from the Colorado School of Mines. He has been an active member of the American Association of Petroleum Geologists (AAPG), the Society of Exploration Geophysicists (SEG) and the International Association of Energy Economics (IAEE) for many years and he is a United States national.

3 **STEPHEN KERSLEY** CHIEF FINANCIAL OFFICER

Stephen Kersley joined TAQA as Chief Financial Officer in May 2011. This followed 23 years in corporate finance, strategic planning and management with Royal Dutch Shell based in the United Kingdom, the Netherlands, China, Syria and Indonesia. Most recently, he worked as Vice-President of Finance for Shell's Global Lubricants business in the United Kingdom. Mr Kersley holds a Bachelor of Law degree from Birmingham University in the United Kingdom and is a Chartered Accountant. Mr Kersley is a United Kingdom national.

4 **FRANK PEREZ** EXECUTIVE OFFICER, HEAD OF POWER & WATER

Frank Perez joined TAQA in July 2009. He has more than 25 years' experience in the power and utility sector. Before joining TAQA, he was General Manager of PSEG America's Latin America Electric and Gas Utilities portfolio, Chief Political and Regulatory Officer for PSEG, Chief Executive Officer and President of a subsidiary of DPL Inc (the parent company of Dayton Power & Light) and Corporate Officer of DPL Inc. Mr Perez has also worked for ABB's power business. He is a founding partner of a global energy investment advisory firm and was previously a board member of several international electric and gas utility and power companies. He holds a BSc degree in Civil Engineering from Tulane University in the United States. Mr Perez is a United States national.

5 **DR SAIF AL-SAYARI** EXECUTIVE OFFICER, HEAD OF ENERGY SOLUTIONS

Saif Al-Sayari joined TAQA in 2010 as Vice-President Operations Technology and Innovations for TAQA's Oil & Gas business stream. He has more than 15 years' experience in the energy business, having previously worked at Abu Dhabi National Oil Company (ADNOC), where he held a variety of technical and managerial positions. Dr Al-Sayari holds a PhD in Petroleum Engineering from Imperial College London and is a United Arab Emirates national.

6 **MICHAEL MCGUINTY** GENERAL COUNSEL & COMPANY SECRETARY

Michael T. McGuinty joined TAQA in Abu Dhabi as General Counsel & Company Secretary in January 2014. Mr McGuinty previously worked for Schlumberger for 18 years where he held a series of senior legal positions in the Middle East, Europe and North America, including Director of Legal Operations; Deputy General Counsel, Corporate and M&A; and, most recently, Director of Compliance. Prior to Schlumberger Mr. McGuinty practised corporate and commercial law in Canada and France. He has a Bachelor of Laws (LLB) and Bachelor of Civil Law (BCL) from McGill University in Canada, and a Bachelor of Social Sciences from the University of Ottawa. Mr McGuinty is fluent in French and Spanish, and he is a Canadian and Spanish national.

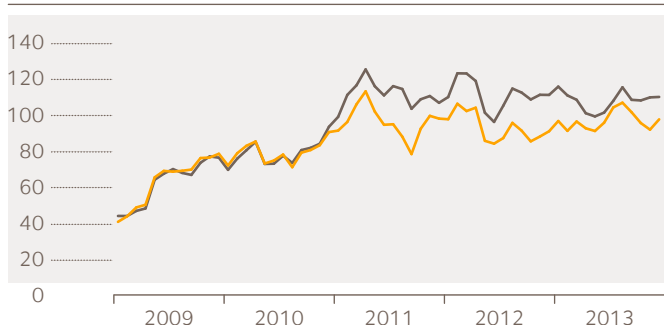
MARKET OVERVIEW

KEY MESSAGE

2013 saw relatively stable world benchmark energy prices, but wide swings in regional differentials for both North American crude oil and natural gas. Infrastructure de-bottlenecking to alleviate regional supply-demand imbalances will be a story to watch in the coming year.

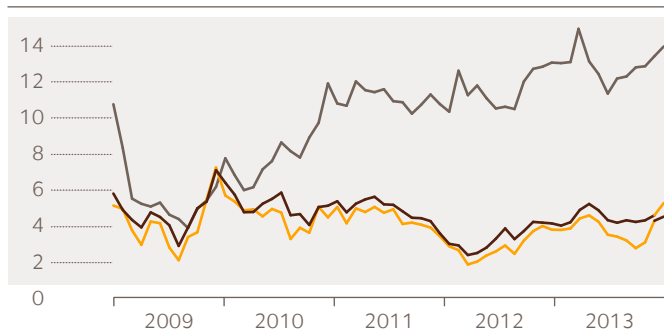
CRUDE OIL PRICES (US\$/BBL)

— Brent Close
— WTI Close



HENRY HUB NATURAL GAS PRICES (US\$/MMBTU)

— Henry Hub
— AECO
— NBP



Crude Oil

In 2013 volatility in world oil prices was driven largely by geopolitical events, such as the threat of U.S. intervention in Syria, and the possibility of the conflict spreading to involve other countries. Ongoing internal unrest in Libya significantly reduced the country's ability to export oil and therefore supported higher prices. Late in the year warming relations between Iran and the U.S. increased the prospect of growing future oil exports from Iran, but the immediate impact was minimal.

On the supply side, the U.S. became the world's top liquids producer in 2013 (including NGLs and biofuels), averaging 12.1 million barrels a day. Onshore shale oil production continued to increase at a rapid rate, with North Dakota alone producing almost 1 mmbbl/d at year end. Pipeline infrastructure has not kept pace with production and several oil rail car derailments during the year increased the likelihood of greater regulatory burdens going forward.

Russia also continued to increase production, reaching a record of 10.6 mmbbl/d in November, while production from Europe continued its decline, reaching the lowest level since 1983. OPEC production decreased marginally from last year with Libya experiencing the largest reduction. The cartel estimated that demand for its oil fell by 0.5 mmbbl/d in 2013.

On the demand side, the first quarter of 2013 saw Europe and South Korea in recession, negatively impacting their oil demand. Japan also experienced reductions in oil demand throughout the year, even with economic reforms which stimulated economic activity. Meanwhile, China and emerging markets were sources of demand growth.

With the surge in U.S. onshore production, WTI has traded at a discount to Brent due to oil oversupply at the Cushing Oklahoma pricing point. During the year the WTI differential to Brent reached a high of US\$ 23/bbl in February before narrowing to <US\$ 1/bbl in July after increased pipeline capacity and crude by rail options succeeded in delivering more crude to coastal refineries. However, gulf coast refinery maintenance shutdowns during fall and continued oil production increases resulted in the differential widening again to end the year with an average of US\$ 11/bbl.

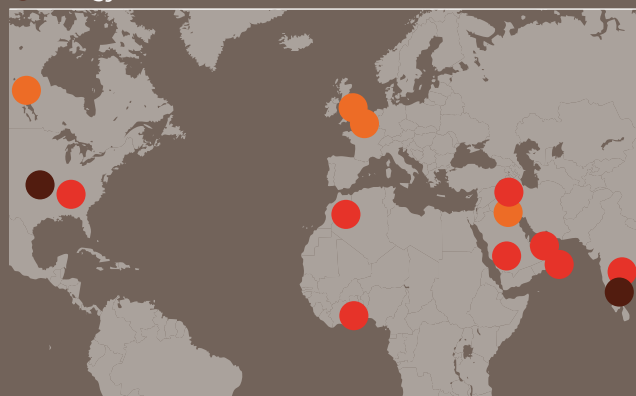
Outlook

Global oil demand growth in 2014 is expected to be moderate as the global economy continues to improve. Chinese oil demand is expected to grow throughout 2014 as the world's largest auto market begins to see car sales move inland to satisfy demand in smaller cities. Further U.S. oil demand growth is expected in line with the expected economic expansion, but Japan and Europe will likely see falling demand as both Germany and France experience slowing economic growth.

The world oil supply-demand balance in 2014 will largely be determined by how Saudi Arabia reacts to expected increased production from other OPEC members such as Iraq, Iran and Libya, as well as non-OPEC production growth driven by the U.S. Saudi Arabia will have the option either to absorb the supply growth or maintain the status quo production level, and its choice will have a strong influence on future oil prices.

GLOBAL REACH

- Oil & Gas
- Power & Water
- Energy Solutions



Global oil demand growth in 2014 is expected to be moderate as the global economy continues to improve

The prospect of large future demand from several proposed LNG export terminals on the US west and gulf coasts could act to support the market in three to five years' time

Natural Gas

World natural gas prices, unlike oil, are not reflective of global economic demand, and there remain significant differentials between North America, Asia, and European prices.

In North America, where the majority of TAQA gas production is located, the Henry Hub spot price averaged US\$ 3.73/mmbtu, 36% higher than 2012, but remained weak in a global context, reflecting the demand-constrained nature of the market.

Shale gas production continues to drive supply increases, with total U.S. production reaching the record level of 67 bcf/d in November. The prolific Marcellus shale gas field in particular continued to see large production gains, reaching 13 bcf/d by the end of 2013, or 18% of total U.S. production.



With the Marcellus field alone now matching total Canadian gas production, the basis between the Alberta and Henry Hub gas price has experienced pressure. Over-supply issues, along with higher regulated pipeline tolls for gas leaving Alberta, drove the differential to over US\$ 1/mmbtu in September from a low of US\$ 0.20 in January, while averaging US\$ 0.60/mmbtu for the year.

On the demand side, competition between gas and coal for power generation led to fuel switching and acted as a dampener on gas price increases. An unseasonably cool start to winter supported prices as the year came to a close with record storage withdrawals seen to satisfy the extra heating demand.

Outlook

Continued aggressive shale gas development will likely keep the market well supplied for several years, but as new shale fields begin to age, the market will be watching decline characteristics of these fields, and accordingly can decide whether future drilling will be to backfill basin decline or will result in adding incremental production.

The prospect of large future demand from several proposed LNG export terminals on the west and gulf coasts could act to support the market in three to five years' time, but large infrastructure and transportation costs will consume significant amounts of the existing regional price arbitrage between North American, Asian and European markets.

OPERATIONAL REVIEW

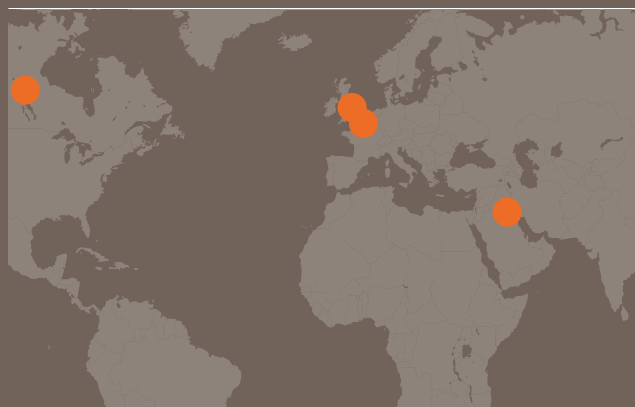


**OIL
& GAS**

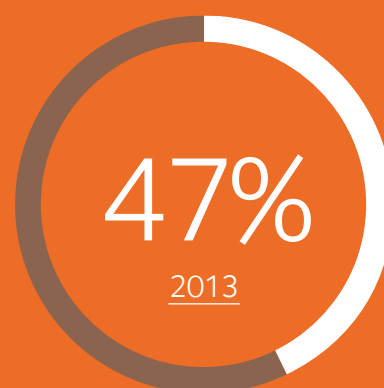


GLOBAL REACH

NORTH AMERICA, UNITED KINGDOM
NETHERLANDS, IRAQ



PERCENTAGE OF TOTAL REVENUE



The Kurdistan region of Iraq is an exciting exploration frontier and has tremendous potential ... our world-class expertise and capabilities gained through the management of complex projects around the globe, helped secure this opportunity

OPERATIONAL REVIEW

OIL & GAS CONTINUED



Oil & Gas Stream Overview

The year 2013 was a year of significant achievements for TAQA:

- Safety has always been and remains our top priority and we have been continuously working on improving it. Our overall safety performance has been improving year on year and in 2013 we further reduced the Days Away From Work Rate (from 1.15 in 2012 to 0.10 in 2013) and a number of Reportable Spills (from 49 in 2012 to 48 in 2013). As we continue to increase our project workload and started operations in Iraq, more diligence is being applied to drive a safer performance.
- Our production reached c.142,300 barrels of oil equivalent per day (c.142.3 mboed), which is within 1.5% of the top of our guidance range.
- Our total reserves replacement ratio was 125% and the organic reserves replacement ratio was 70%.
- In our North Sea portfolio the acquisition and successful integration of the Harding area, Morrone and Maclure fields, and additional interests in Brae assets, SAGE gas pipeline, Forties-Brae and Forties-Braemar oil pipelines from BP was completed.
- A number of approvals for development of our assets were obtained (e.g., approval for development of the Atrush Block in the Kurdistan region of Iraq, as well as the Cladhan and Morrone fields in the North Sea) and we proceeded with such developments in order to enhance our operational capabilities, increase and secure future production and deliver high returns to the shareholders without compromising the safety performance.
- Work on optimisation of TAQA oil and gas portfolio continued through the year.
- Reliability of returns on capital investment has improved during 2013 with enhanced focus on project management and a deeper understanding of project performance.

In 2013 we further reinforced and expanded our operational capabilities, integrated new assets, started developing new projects, progressed our “Intelligent Growth” portfolio strategy, set up virtual teams around areas of core operational excellence delivery, and accomplished a large number of other project and corporate milestones. All of this was achieved on the base of constantly improving safety performance which is the condition precedent for any activity at all times.

OIL & GAS REVENUES

million (AED)

12,188 (2012: 12,015)

2011	11,983
2012	12,015
2013	12,188

1. Wellhead, Canada
2. Atrush field, Kurdistan, Iraq
3. Crossfields, Canada



2



3

Kurdistan region of Iraq

The Atrush Block is located 85 km north-west of Erbil in the Kurdistan region of Iraq. TAQA assumed operatorship of the Block on January 1, 2013, immediately after the closing of the acquisition. Drilling operations commenced shortly thereafter and the Iraq team also began preparing the Field Development Plan (FDP). TAQA has access to world-class expertise and capabilities gained through its experience in developing and operating complex projects around the globe. The FDP for the Atrush Block was submitted on schedule in May and Phase 1 of the development was approved by the Kurdistan Regional Government (KRG) effective October 1, 2013.

TAQA plans to invest in excess of US\$ 300 million during Phase 1 of the Atrush development constructing a central processing facility and drilling the initial three production wells. The first production from Atrush is expected to commence in 2015 with Phase 1 delivering 30,000 bpd. The approval of the FDP provides for a 25-year period during which TAQA and its partners expect to maximise recovery of the oil resources.

TAQA and its partners have an active drilling programme on the Atrush Block and are continuing to appraise the area for further development, beginning with the current appraisal activities for Phase 2. Subject to the outcome of this appraisal and KRG approval, Phase 2 of the development is expected to include another facility with a daily production of 30,000 boe.

The Kurdistan region of Iraq is an exciting exploration frontier and has tremendous potential. It is our ambition to build an integrated business in the region which would include potential power and water projects and infrastructure development, in addition to oil and gas production.

The Netherlands

In the Netherlands the focus has been on the development of our flagship project Gas Storage Bergermeer (GSB), the largest open-access underground gas storage facility in northwest Europe with a working volume of 4.1 billion cubic metres (equal to the

HIGHLIGHTS

142.3 mboed

Production

612.4 mboed

Proven and Probable Reserves

575million Nm³

Gas Storage Capacity

average annual gas consumption of 2.5 million households in the Netherlands). It is expected to double the capacity in the Netherlands for seasonal storage and make an important contribution to the development of the Netherlands' ambition to become the north-west European gas hub. GSB is expected to start partial gas storage operations in April 2014 with full capacity becoming available in 2015. Completion of the GSB facility is still expected to be on time and within budget.

During December 2013 divested its 40% interest in Noordgastransport B.V. ("NGT") in the Netherlands, a company which owns and operates one of the three major pipeline systems in the Dutch North Sea. NGT was a purely financial interest, with a very limited role for TAQA. It is TAQA's ambition to play a key role in the development and operations of projects and assets.

The upstream assets in the Netherlands have been performing well with the total oil and gas production from the Netherlands exceeding target by more than 20% in 2013. The Amstel field has successfully been tied in to the TAQA operated P15-P18 hub providing the foundation for the future growth of this oil and gas processing hub.

OPERATIONAL REVIEW

OIL & GAS CONTINUED

Our Strategy in North America is to be a leading intermediate oil and gas company. This involves delivering improved profit margins, a focused investment programme and reliable free cash flow generation.

RESERVES (mmboe)

612.4 (2012: 600)

2011	583
2012	600
2013	612.4

PRODUCTION (mboed)

142.3 (2012: 135.4)

2011	139.1
2012	135.4
2013	142.3

North America

2013 was a year of solid achievement for TAQA in North America. TAQA's North American organisation embarked more aggressively on its core area strategy that was initiated in 2012, focusing on reshaping the portfolio and tightly aligning capital investment. In support of this, the business delivered US\$ 29.4 million proceeds on non-core dispositions, as well as farming out a number of non-core positions. The strategy enabled North America to reduce G&A by US\$ 28 million through reduced manpower (redeployment and terminations resulted in a reduction of 162 positions), streamlined process and a simpler organisation model focused on increased accountability. The strategy also enabled the new organisation to significantly improve capital investment efficiency.

We grew our production by 1.5% to 87.1 mboed despite unprecedented flooding disruptions in Alberta and Saskatchewan, Canada. The year-over-year production increase came from strong base management performance, including improved reliability, as well as significant additional production from new wells. TAQA's safety and environmental performance in North America was outstanding, whilst both G&A and operating costs were reduced.

This strong operating performance was also reflected in financial results. Free cash flow was US\$ 163 million, exceeding budget targets. These numbers exceeded expectation due to improved capital investment efficiency, reduced capital spending, a successful non-core divestment programme and lower G&A and operating costs.

North America has a vision to become a leading oil and gas company in the region. This involves delivering improved profit margins, a consistent investment programme and reliable free cash flow generation.

UK

Average production for TAQA operations in the UK during 2013 was 47,000 boe, helped by a strong fourth quarter in which average production for the period was 68,400 boe per day, an increase of 73% for the same period in the prior year. Reserve replacement for the year was 285%, a figure underwritten by completion of TAQA's largest transaction in the North Sea since it entered the province in 2006, and a number of smaller incremental projects.

Having agreed with BP in 2012 to acquire a package of Central North Sea assets the transaction completed in June. The package comprised of a 70% working interest in the Harding field and an undeveloped discovery, Morrone; a 37% interest in the Maersk-operated Maclure field; an 88% operated interest in the subsea development, Devenick; and an incremental stake in the Brae assets, SAGE gas pipeline, Forties-Brae and Forties-Braemar oil pipelines. These assets added c. 20 mboed to TAQA's UK average daily production and almost 30 mmboe of 2P reserves.

In January, first oil flowed from the TAQA-operated Cormorant East field to North Cormorant. Initial production from a single well was c. 5,500 barrels per day (bpd) and further plans to drill a second well in 2014 will yield a higher proportion of the 10 to 30 million barrels of oil in place.

In April TAQA received approval of its Field Development Plan for Cladhan from the UK Government. This is the third field that TAQA has developed and the largest to date. Cladhan is being developed as a subsea tie-back to the Tern platform and oil will be exported to Sullom



OIL & GAS Case study

In the course of the year 2013 we significantly increased our presence in the North Sea, with our US\$ 1.1 billion acquisition of oil and gas assets from BP.

The acquisition delivered interests in the Harding, Morrone Maclure and Devenick fields and increased TAQA's interests in the Brae area, the SAGE gas pipeline and Forties-Brae and Forties-Braemar oil pipelines. The Harding area assets also contain further undeveloped gas resources of which TAQA's share is approximately 50 million barrels of oil equivalent.

By June, our teams, in close collaboration with the seller, had achieved a smooth transition of operatorship of the Harding field and production platform in the central North Sea. By the end of July TAQA had completed its first well in the area, including a challenging sand-screen completion longer than any installed by the previous operator.

The package complements our existing assets in the northern North Sea and has a strong strategic fit for TAQA globally. The package will extend the profitable life of our UK business and underpins a bright future for our business in the North Sea.

Voe Terminal via the Brent oil pipeline system. Reservoir support and artificial lift shall be provided by Tern using water injection and gas lift respectively. The initial Cladhan development phase comprises two production wells supported by one water injection well, all of which will be drilled from a single drill centre located 17km from the TAQA operated Tern platform. The development is expected to cost in the order of £400 million (gross) and first oil in 2015.

In December we received approval from the UK Government for development of the Morrone field. The initial phase of development will consist of an extended reach well drilled from the TAQA-operated Harding platform, which lies 5 km north of the Morrone field. Morrone is expected to initially produce over 3 mboed.

Performance for the year was marred by integrity issues on Cormorant Alpha which required TAQA to shut down production whilst repairs were carried out. In January, and then March, we discovered leaks in one of the legs of the platform. No hydrocarbons were released into the environment. The efficient and safe way TAQA handled the incident enhanced our reputation as a competent operator. On 30 June Cormorant Alpha recommenced production, with full production capability restored on 24 August. Cormorant Alpha is a critical piece of infrastructure for the Northern North Sea and is recognised by Government to be of strategic economic importance. As well as handling 10,000 boed of production from the South Cormorant field, the platform is the conduit for the Brent System Pipeline, which carries approximately 90,000 boed of oil, or approximately 10% of the UK's oil production.

As part of TAQA's 'make it safe, make it work, make it grow' strategy, the company has now invested more than US\$ 500 million on maintenance and upgrades across four northern North Sea platforms since their acquisition in 2008. This investment has helped to double production and secure hundreds of jobs in Aberdeen. We start 2014 as the largest investor from the United Arab Emirates in the UK, having invested more than US\$ 4 billion in four years.

The diversity of the UK portfolio represents a sustainable business with a high potential for organic growth and opportunity for enhanced profitability.

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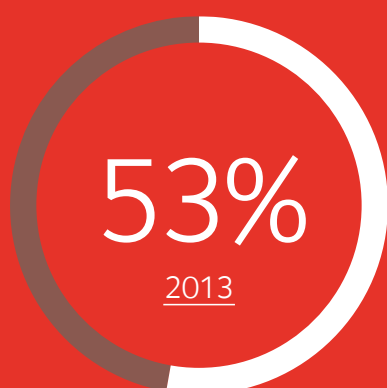
OPERATIONAL REVIEW



**POWER
& WATER**



PERCENTAGE OF TOTAL REVENUE



“In the UAE, Africa, India, and in general across the MENA region, we see strong electricity demand growth which provides TAQA the opportunity to supply this new demand and build on our track record as a partner of choice.”

FRANK PEREZ
EXECUTIVE OFFICER
HEAD OF POWER & WATER

GLOBAL REACH

USA, MOROCCO, GHANA, SAUDI ARABIA, IRAQ, INDIA, OMAN, UAE



OPERATIONAL REVIEW

POWER AND WATER CONTINUED



We delivered a strong operational performance over the year, in the face of some challenging events.

Overall, our business generated a total of 76,712 gigawatt-hours (GWh) with our domestic portfolio of assets generating 58,627 GWh of electricity and 253,420 million imperial gallons of water, and our international power portfolio generating 18,085 GWh. In financial terms we delivered an EBITDA of US\$ 1.8 billion and a Net Income of US\$ 840 million before finance costs.

At the end of the year our overall asset base had delivered 92% technical availability – in line with top international standards – despite some significant downtime in the first quarter at Jorf Lasfar, in Morocco.

However, we capitalised on that time to bring forward significant maintenance and in the second half, Jorf Lasfar outperformed, with 97% availability – our best availability ever. That level of performance is exemplary, and equivalent to the performance levels you would expect from gas-fired power plants. Jorf Lasfar already supplies 40% of Morocco’s electricity output and the expansion project, which will see two new power generation units come online this year, will see the plant’s capacity increase by 700 megawatts (MW) to 2,056 MW, equivalent to 50% of the nation’s output.

Across our international portfolio, we executed a number of large, complex energy projects in challenging jurisdictions. As well as Morocco, we were busy in Ghana, India and Iraq.

In April, a groundbreaking ceremony was held in Ghana in the presence of the country’s President, John Dramani Mahama, officially to launch the expansion of the country’s Takoradi 2 power plant. When completed, the expanded plant, which is a joint venture between TAQA (90%) and the Ghanaian utility, the Volta River Authority (10%), will produce approximately 15% of Ghana’s electricity.

Power & Water’s story over 2013 is, first and foremost, a story of courage and commitment by our team. In the course of the year we have consistently demonstrated we can deliver large complex projects in challenging environments due to our dedication and commitment to deliver on our promises. We are proud of our people who have made that happen through significant effort and personal sacrifice.

POWER & WATER REVENUES*

million (AED)

8,961 (2012: 8,536)	
2011	7,436
2012	8,536
2013	8,961

*Excluding construction and back-up fuel revenues

1. Takoradi, Ghana
2. Jorf Lasfar, Morocco
3. Fujairah 2, UAE



2



3

The US\$ 345 million project involves converting the existing 220 MW gas-fired plant into a combined-cycle unit; increasing its output to 330 MW without requiring additional fuel and without increasing carbon dioxide emissions. The plant was recently converted from a primarily oil-fired plant to one fuelled by natural gas as part of a new policy by Ghana's power generation industry towards cleaner-burning fuel. The expansion is scheduled for commissioning in Q4 2014.

In the course of the year, our ability to finance and manage those large-scale strategic projects was recognised at the 14th Project Finance Magazine Awards event in London.

We took the Project Finance Power Deal of the Year – Africa 2012 for our US\$ 1.4 billion Jorf Lasfar power plant expansion, and the Project Finance Sponsor of the Year – Africa 2012 for the Takoradi 2 power plant expansion.

Project Finance Magazine's Deal of the Year Awards recognise the best deals annually and are among the most prestigious in the finance industry. It was our operational excellence, and the vital role the Jorf Lasfar and Takoradi 2 power plants have played in delivering reliable sources of electricity to the populations of Morocco and Ghana, that earned us the accolades.

The wins were testimony to our achievements in developing and operating key national infrastructure in Africa, and the deals also proved that we have the market reputation to attract sophisticated international financing at very competitive rates into emerging economies.

In the UAE, we have a 54% interest in each of the eight power generation and water desalination plants in the Emirates of Abu Dhabi and Fujairah, with Abu Dhabi Water and Electricity Authority (ADWEA) having a 6% interest. The plants provide more than 95% of the water and electricity requirements of Abu Dhabi in addition to varying levels of power and water supply to the other Emirates. The remaining 40% interest in each of these plants is held by various international partners. As of the

HIGHLIGHTS

16,395 MW

Gross Power Generation Capacity

887 MIGD

Gross Water Desalination Capacity

end of 2013 our UAE power and water facilities had 12,494 MW of gross power generation capacity and 887 MIGD of gross water desalination capacity.

The project companies that own the plants sell all their electricity and water production under Power and Water Purchase Agreements (PWPAs) with Abu Dhabi Water and Electricity Company (ADWEC), and are paid according to the availability of generation and desalination capacity, rather than the amount of electricity and desalinated water produced.

All of our UAE power and water facilities use natural gas as their primary fuel, with the gas supplied by ADWEC.

In June of 2013, we celebrated the groundbreaking for the US\$ 200 million expansion project for the Fujairah 1 Independent Water and Power Plant with project partners Sembcorp Industries, and ADWEA.

The expansion, which is expected to be completed in the first half of 2015, will increase the water desalination capacity of Fujairah 1 from 100 million imperial gallons per day (MIGD) to 130 MIGD, of which 67.5 MIGD will be produced using reverse osmosis process.

OPERATIONAL REVIEW POWER AND WATER CONTINUED



This combined reverse osmosis desalination capacity will make Fujairah 1 the largest reverse osmosis desalination facility in the Middle East, and will be essential to help meet the expected increase in water demand in Abu Dhabi and the Northern Emirates.

At the other end of the UAE, in Abu Dhabi, the Ruwais Power Company, a joint venture between TAQA (54%), ADWEA (6%), International Power – GDF Suez (20%), Marubeni (10%) and Osaka Gas (10%), completed the issue of US\$ 825 million in project bonds for the refinancing of the Shuweihat S2 power and desalination plant.

Shuweihat S2 is a 1,510 MW power generating facility, enough to power more than 300,000 homes. The plant also produces up to 100 MIGD of potable water each day, representing 15% of Abu Dhabi's water desalination capacity.

The Ruwais Power Company partners invested US\$ 2.7 billion in the construction of Shuweihat S2 power plant which was undertaken as part of the privatisation of the water and electricity sector by ADWEA in line with Abu Dhabi Government directives.

This privatisation initiative has proven to be one of the most successful in the world, in terms of power and water production and foreign investment, as well as competitive financings raised from international, regional and local financial institutions.

In Iraq, we will expect to consolidate our presence in the country with the aim of building a joint portfolio of power and Oil & Gas businesses.

In India we have two key projects. At Neyveli in the state of Tamil Nadu, is a 250 MW lignite-fired power plant, generating enough electricity to power a town of 150,000 people.



POWER & WATER Case study

Our expansion at Jorf Lasfar in Morocco has proceeded on time, and on budget, over 2013, with the key milestone of construction and synchronisation of Unit 5 achieved, and work on Unit 6 on target.

When we took the project to market, with an initial public offering (IPO) on the Casablanca Stock Exchange, it was oversubscribed almost seven times.

The great demand for JLEC shares reflects the strength of our power business in Morocco, where we are the market leader and have ambitious plans for growth. The Kingdom's energy needs are expected to double in the next seven years and TAQA will continue to be a vital partner in meeting this demand.

And its listing gives Moroccans the chance to share in the growth of the Kingdom's largest power producer. With our new investor base, we are more strongly woven into the fabric of this fast-growing economy.

GROSS POWER GENERATION
(GWH)**76,712** (2012: 75,124)

2011	67,390
2012	75,124
2013	76,712

GROSS WATER DESALINATION
(MIG)**253,420** (2012: 240,801)

2011	220,530
2012	240,801
2013	253,420



And in the Northern state of Himachal Pradesh, we have a major stake in 100 MW hydroelectric plant on the Sorang Khad river, which is currently under construction.

The plant uses "run-of-the-river" technology to drive its electricity-producing generators, thus eliminating the need for a reservoir.

Our safety record continued to improve despite the tragic fatality suffered by one of our contractors working on the Jorf Lasfar expansion project.

We are continuing our efforts in the development of our people, especially through our Emiratisation programme, which is one of the key pillars of our organisational strategy.

Over the coming 12 months we will be seeking to exploit our reputation as leading players in the industry to grow our business.

In the UAE, Africa, India, and in general across the MENA region, we see healthy electricity demand growth rising to high single-digit figures in 2014, and in our core markets there is evidence of significant growth potential that promises strong and stable cash flows.

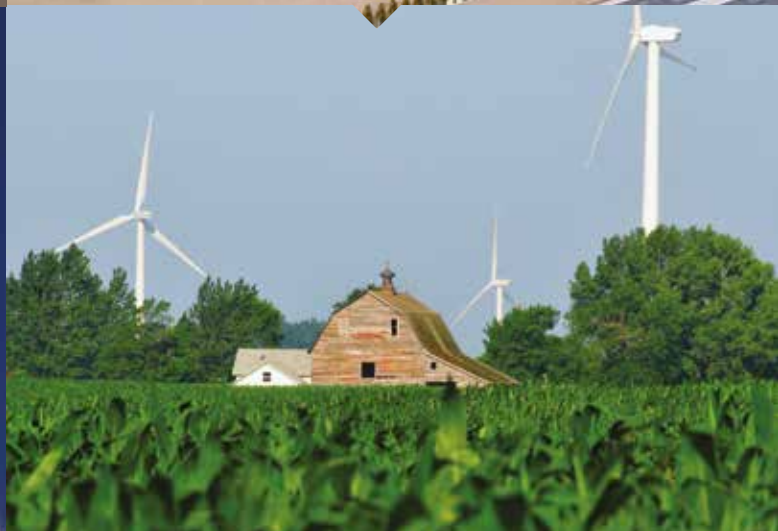
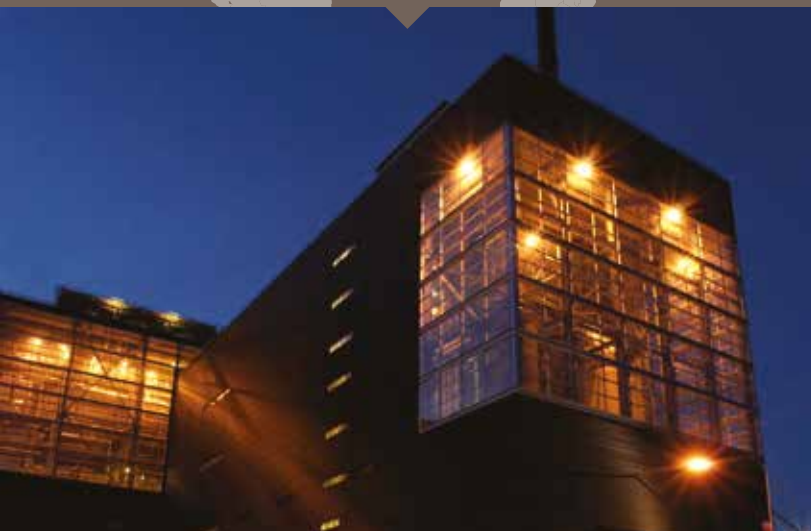
OPERATIONAL REVIEW



ENERGY SOLUTIONS



GLOBAL REACH
USA, INDIA



“Our mission this year was to unlock the potential synergies between our existing business streams and across geographies ... technology incubation is also important in our development and we are looking to nurture new technologies with ‘breakthrough’ potential.”

DR SAIF AL-SAYARI
EXECUTIVE OFFICER
HEAD OF ENERGY SOLUTIONS

OPERATIONAL REVIEW

ENERGY SOLUTIONS CONTINUED

Energy Solutions was formally established in January 2012 with the objective of developing alternative and advanced technology to complement our existing Oil & Gas and Power & Water activities. These solutions, from wind farms and solar parks to waste-to-energy plants and energy efficiency projects, contribute towards a sustainable economy and align our strategy with the **Abu Dhabi Economic Vision 2030**.

Our Energy Solutions business has responsibility for developing alternative and advanced technology solutions for energy production and generation at TAQA. Our mission this year was to unlock the synergies between our existing business streams and across geographies.

Projects of interest included wind, solar, hydroelectric, geothermal, and waste-to-energy, as well as unconventional fossil-fuel projects such as gas-to-liquids, shale gas and using CO₂ for enhanced oil and gas recovery. Although many of these technologies are in their infancy, they are advancing rapidly.

Our major initiatives have been our investment in a wind farm project in the United States; a hydroelectric project in Northern India, and the development stages of one of the world's largest waste-to-energy plants, to be located in Abu Dhabi.

At the beginning of 2013 we purchased a 50% interest in the Lakefield wind project, located in Jackson County, Minnesota, in the Midwestern US. This fully operational project consists of 137 1.5 megawatt (MW) wind turbines with the capacity to generate 205.5 MW of emissions-free electricity for more than 68,000 homes.

The acquisition is a first step in the evolution of our global strategy for alternative energy investments. It complements our existing assets in North America and gives us a foothold in the fast-growing global wind market. The knowledge and international footprint established with this transaction will enable us to take a leading role in developing other international projects.

We also acquired an interest in Himachal Sorang Power Limited (HSPL), the developer of a 100 MW hydroelectric plant in the northern Indian state of Himachal Pradesh. The deal, concluded through TAQA Jyoti Energy Ventures, a joint venture with Indian power infrastructure company, Jyoti Structures (JSL), will see us progressively acquire 100% of the share capital of HSPL which we will jointly operate with JSL.

The plant will be powered by the Sorang Khad, a river originating in the Himalayas, using "run-of-the-river" technology to convert the natural water flow to electricity, thus eliminating the need for a reservoir. It will supply electricity to the northern states of Himachal Pradesh India, a region currently facing power shortages.

This investment reflects our confidence in the Indian market and will both complement our existing power generation business in India and support TAQA's growing alternative energy stream.

Waste-to-energy is one of the cleanest sources of energy and one of the most efficient ways to treat municipal solid waste. Energy Solutions is in the advanced planning stage for Abu Dhabi's first waste-to-energy power plant capable of generating enough electricity to power more than 20,000 households.

The plant is expected to process approximately 1,000,000 tonnes of municipal solid waste a year and convert it into 100 MW of power.

In 2013 we invited companies to pre-qualify for the engineering, procurement and construction (EPC) contract. The plant would be the UAE's first waste-to-energy facility, and help to address the growing environmental issues surrounding landfill waste disposal in Abu Dhabi.

The development of sustainable energy and waste infrastructure technologies, as well as diversion of waste from landfills, are goals identified in the Abu Dhabi Vision 2030. We are proud to be working alongside the Government of Abu Dhabi and the Centre of Waste Management Abu Dhabi to provide a solution to the increasing volume of waste produced each year in the capital.



ENERGY SOLUTIONS Case study

At the beginning of 2013 we launched a pilot project for rooftop solar air-conditioning in Abu Dhabi, installing 27 solar panels on the Abu Dhabi Transmission & Dispatch Company building.

The panels, made by Chromasun Inc., the California-based solar panel manufacturer, have been providing clean renewable solar energy to the building's air-conditioning system during peak demand hours.

Designed specifically for rooftop application and operation in high temperatures and dusty conditions, the panels produce more energy per unit of roof area than many other technologies. In addition to significant energy savings, rooftop solar cooling technology has great potential for peak-shaving which will result in reduced emissions and better grid efficiency.

The project demonstrates how we are continuously seeking ways to use advanced technology to achieve better efficiency in Abu Dhabi's power generation networks.

Our track record in developing and operating power plants across the world, combined with our international relationships with joint venture partners and financial institutions, positions us well to lead the development of this pioneering project. We see this as a launch pad for future waste-to-energy projects in the region and for TAQA to be the pre-eminent developer and operator.

Going into 2014, our approach will be to leverage our existing business footprint and resources, reflecting the highly regulated nature of the energy business, which requires close partnership between companies, local market regulators and political stakeholders. Consequently, the initial focus is on those markets where we have strong relationships such as Abu Dhabi, North America, Morocco, India and the Netherlands.

Technology incubation will also be important in our development and we will be looking to nurture new technologies with "breakthrough" potential, particularly through our new Energy Innovation Park in the Netherlands.

HEALTH, SAFETY, SECURITY & ENVIRONMENT

KEY MESSAGE

Health, safety, and security at work and protection of the environment continue to be the top priority for TAQA.



2013 HSSE Performance

TAQA regularly monitors and reviews its global HSSE performance. Notwithstanding the continued growth in company assets and new construction projects, a strong effort from TAQA's business level-led HSSE teams resulted in positive performance trends in 2013.

RECORDABLE INJURY RATE* (PER 200,000 HRS.)

2013	0.39	0.59	0.21
2012	0.36	0.53	0.14
2011	0.57	0.76	0.12
2010	0.72	0.78	0.57
	Global	Oil & Gas	P&W

DAYS AWAY FROM WORK RATE* (PER 200,000 HRS.)

2013	0.09	0.10	0.08
2012	0.11	0.15	0.06
2011	0.19	0.23	0.12
2010	0.32	0.25	0.52
	Global	Oil & Gas	P&W

REPORTABLE SPILLS*

2013	50	48	2
2012	51	49	2
2011	74		69
2010	56	53	3
	Global	Oil & Gas	P&W

*Includes three ongoing major construction projects and new operations in Iraq

Jorf Lasfar Expansion Project

On 1 March, during a pre-commissioning hydrostatic pressure test at the Jorf Lasfar Power Plant expansion project in Morocco, a fatal incident occurred. Following an immediate stand-down in construction activities, the subsequent Incident Investigation resulted in a variety of key construction and behavioural safety related corrective actions, additional emphasis on following established safety procedures, safety-focused supervisory training, and enhanced safety vigilance for all staff and contractors.

2013 Highlights

Gas Storage Bergermeer Project

With full commercial gas storage scheduled for 2015 construction activities at TAQA's Gas Storage Bergermeer project in the Netherlands were scaled up significantly, including drilling operations, pipeline completion, and gas injection plant construction. HSSE performance continued to be a high priority for project management and staff with special attention put on the teaching of safety leadership skills and emphasis on TAQA's core HSSE values.

Incident Management

Initial rollout of TAQA's new global HSSE tracking and reporting system commenced in North America, effectively and efficiently to manage HSSE information on: near misses, incidents, internal and regulatory audits, internal inspection programmes, and incident investigations. Subsequent rollouts are scheduled for TAQA Headquarters in Abu Dhabi and in the UK.



1. Eider oil field,
North Sea, UK
2. PGI, Alkmaar,
the Netherlands



Intelligent Safety

To establish a unified, consistent and positive safety culture TAQA's UK operations launched Intelligent Safety. At the heart of Intelligent Safety is the idea that everyone working for or on behalf of TAQA plays their part in understanding their limitations and helps to overcome these by living our Intelligent Safety behaviours and looking out for each other. To achieve this, almost 2,000 people have participated in a series of unique roadshows and are supported daily by over 70 Intelligent Safety coaches, all of whom are volunteers.

New Iraq Operations

Concentrated activities to integrate/optimize TAQA's global HSSE expectations were initiated for TAQA's Iraq operations with the installation of a high-quality HSSE team along with the transfer of crucial knowledge on TAQA's commitment to HSSE Excellence, critical safe work standards, Key Processes and Performance Reporting.

Power & Water

New milestones reached by TAQA's power-generating operations included ISO14001 accreditation at the Takoradi Power Plant in Ghana, sharing of best practices from a Peer Review in Neyveli, India, and, the holding of a public meeting on the Environmental Impact Assessment for the JLEC construction project in Morocco.

Security

TAQA's Security Team completed High-Risk Environment Awareness Training for more than 200 employees in five countries; performed Threat Assessments for six TAQA business opportunities and new locations; and, staff from the Security Team were selected to present "Shrinking World: Expanding Risks – The Development of High-Risk Travel Training" for the 2014 ASIS European Seminar.



HEALTH SAFETY Case study

TAQA Team Unites During Devastating Alberta Flood

On June 20 heavy rainfall caused catastrophic flooding throughout southern Alberta, Canada, initiating massive evacuations and shutting down the city of Calgary (headquarters of TAQA North American operations). Following its Business Continuity Plan to ensure that critical day-to-day operations continued, TAQA staff quickly re-established crucial communication networks and implemented a system to account for all TAQA employees. As a precautionary measure, TAQA management decided to shut-in approximately 2,000 barrels of oil per day for a short duration. Most impressively, a large number of TAQA staff voluntarily deployed to assist with the mammoth clean-up efforts at employees' homes that had been directly affected by the flooding.

COMMUNITY RELATIONS

KEY MESSAGE

Our commitment to support the economic and social development of the communities in which we operate can be found at the core of every TAQA business. Close collaboration in terms of engagement and community investment is vital to the success of our business.



Community Investment

Many local communities are either dependent on our businesses or directly affected by our operations across the world. In response to this, all our major facilities have community investment and support strategies adapted to local requirements and priorities. In some cases this is emergency aid, such as a contribution of CDN150,000 to the Canadian Red Cross relief to support rehabilitation efforts following devastating floods. Other corporate support included the signing of a three-year agreement with the non-profit initiative, Ewa'a, to support victims of human trafficking in the UAE, in October 2013.

TAQA's other community investment initiatives are a combination of short-term philanthropic gestures and long-term sustainable development initiatives, often in partnership with other organisations. Presently, TAQA's community investment approach targets a range of projects but generally supports the main areas of: health and infrastructure facilities; education and youth development; and environmental protection.

Health and Infrastructure Provision

At TAQA, we work hard to look after the wellbeing of our people and those of our neighbours, for example, by helping to install drainage and sanitation equipment. After a fire damaged a local school in the Kurdistan region of Iraq, our operations donated new furniture for the school's offices. Additionally, working with local members of the community who will provide the labour, we installed new school gates that will allow better access for emergency vehicles.

Our care for the community extends beyond infrastructure programmes. In India and Morocco our on-site company doctors and teams provide additional, free services to local communities, including health awareness campaigns, first-aid and annual medical camps.

Education and Youth Development

Education is one of the building blocks of society and we have a number of education-focused partnerships across the globe. As the largest UAE company in Ghana, TAQA is committed to helping educate the next generation with a scholarship programme. TAQA contributes a third of the costs, which can run to US\$ 140 per student. In 2013, around 300 pupils, aged between six and 24, took part in the programme. For the younger candidates, this means they will receive financial assistance to buy books and items of stationery. For the older students, the programme will help them find jobs after finishing their university studies.

For the second year in a row, our operations in the UK have sponsored Greenpower – a unique education initiative that challenges children of all ages from schools across Scotland to design, build and race electric cars. In addition to getting young people engaged in science and engineering, the initiative also enabled some of our TAQA workforce to volunteer and lend their skills and advice to the students.

Environmental Protection

At TAQA, we appreciate that everything we do affects the environment now and in the future. Establishing relationships with key environmental stakeholders is a crucial aspect of our community investment and relations strategy. In 2013, our UK operations began partnering with the Royal Society for the Protection of Birds (RSPB) – a wildlife conservation charity. TAQA's support funded the building of nesting rafts at a local nature reserve. Our Canadian operations have had a similar partnership with the Alberta Ecotrust that entered its fourth year in 2013. Representatives of TAQA sit on the Ecotrust's Grant Review Committee, helping to invest in environmentally-beneficial projects in the province.

Community Engagement

Maintaining good relations with communities is vital to how we do business and our social licence to operate. This is why in 2013 TAQA introduced a team of Community Liaison Officers to manage day-to-day relations with stakeholder groups in the vicinity of the Atrush oil concessions in the Kurdistan region of Iraq. Surrounding the drilling activities at the Gas Bergermeer well site in the Netherlands, we have taken extensive measures to ensure activities had as little impact as possible on the daily lives of nearby residents. This included the installation of a sound wall and adapting working hours. This was complemented by the communication programme, which included monthly open-house sessions where residents could speak directly to TAQA employees.



1. Sponsorship of science & engineering project, UK
2. Minimising disturbance, the Netherlands
3. Canadian conservation project



FINANCIAL REVIEW

During 2013, we overcame a number of operational challenges, which affected our overall financial performance.

Our net results were further impacted by a one-off, non-cash impairment of AED 3.2 billion, relating to our North American business, which led to the company recording a net loss for the year attributable to the equity holders of the parent of AED 2.5 billion. This is a non-cash item and, as such, does not affect our ability to meet our financial commitments.

Although this is a non-cash item, it means that for the first time in our history we will not be paying a dividend for 2013.

Robust operational performance, offset by non-cash impairment in North America

To provide a better understanding of the business performance, the numbers below are on an underlying basis unhindered by pass through items such as fuel and construction revenues and costs. Our assets are generating more revenue than in 2012, with underlying revenue up by 3% and EBITDA up by 1% to more than AED 13.4 billion in 2013.

On the same underlying basis, we grew Power & Water revenues by 5% to AED 9 billion during the year. Our domestic fleet performed very well, with a 6% increase in power production, while there was a slight decrease in international power production, due to forced outages at Jorf Lasfar and Red Oak.

We also saw the benefit of stronger commodity prices in North America and the Netherlands offset by weaker pricing in the UK. UK performance was also affected by the outage at Cormorant Alpha which caused higher operating costs during the year. This, combined with lower pricing, saw our margin squeezed. By contrast, in North America and the Netherlands we have seen strong cost control and pricing boosting our operating margin.

In December, TAQA was presented with an award for Excellence in the Development of the Country's Future Leaders by the Institute of Chartered Accountants in England and Wales, a world leader in the accountancy and finance profession.

Funding Strategy

We continue to maintain a very robust financial position that provides us with the resources to effectively manage our debt maturities and support the growth within our business.

Major financing activity during the year included:

- A US\$ 1.4 billion project financing agreement for the expansion of Jorf Lasfar. This was the largest project financing in Morocco for over a decade.
- The US\$ 330 million financing of the expansion at Takoradi in Ghana.
- A US\$ 825 million project bond to refinance the Shuweihat 2 plant. This bond has an average tenor of over 21 years with a final maturity in 2036 and was issued at an attractive coupon of 6%.

We ended 2013 with a strong liquidity position, with unused available credit lines of AED 11.0 billion and cash of AED 3.9 billion, resulting in overall liquidity of AED 14.9 billion.

This financing strength, along with the backing we receive from the Government of Abu Dhabi, were recognised by both Standard and Poor's and Moody's Investor Services who have issued A and A3 ratings respectively.

We continue to maintain a prudent approach to managing our maturity profile. Although we have a significant bond maturity falling in September 2014, our available bank facilities are sufficient to meet that funding need, on attractive terms. This flexibility allows us to monitor favourable market windows to refinance the 2014 maturity, as and when they arise.

TAQA's sophisticated approach to financing, was recognised at the Project Finance Magazine Deal of the Year Awards, which are among the most prestigious in the industry. TAQA won Project Finance Power Deal of the Year – Africa, and Project Finance Sponsor of the Year – Africa, in recognition of our refinancing for Jorf Lasfar in Morocco and Takoradi in Ghana.

Revenues and Costs

Total revenues for 2013 were AED 25.8 billion, 7% lower year-on-year, compared with total revenues of AED 27.8 billion for the same period in 2012.

However, this does not reflect the underlying performance of the business, due to the effect of construction and backup fuel revenues, which have compensating expenses in cost of sales.

AED million	2012	2013	% +/-
Total revenue per accounts	27,785	25,757	▼ 7%
Backup fuel revenue	3,645	3,209	
Construction revenue	3,589	1,399	
Underlying revenues	20,551	21,149	▲ 3%
Power & Water	8,536	8,962	▲ 5%
Oil & Gas	12,015	12,187	▲ 1%

When looked at on an underlying basis, business revenues grew by 3% to AED 21.1 billion in 2013 from AED 20.6 billion in 2012. This reflected a particularly strong performance from Power and Water, which grew by 5% to AED 9.0 billion, from AED 8.5 billion in 2012, while Oil and Gas grew by 1% to AED 12.2 billion in 2013.

Cost of sales, excluding the impairment, were AED 17.9 billion in 2013, a decrease of 8% over last year. This was caused by lower construction costs and backup fuel costs corresponding to the fall in total revenue per accounts.

Overall Gross Margin, excluding Depreciation, Depletion and Amortisation, impairment, and dry hole expenses was 56%, an increase from 51% in 2012, reflecting the stronger underlying performance of the business.

EBITDA

EBITDA grew by 1% to AED 13.4 billion in 2013, reflecting the strong underlying operating cashflows of the business, which gives us sufficient liquidity to meet our financing needs.

Finance costs

Financing costs were broadly consistent year-on-year at AED 5.1 billion.

Profitability

The Loss Before Tax was AED 1.1 billion in 2013, compared to an AED 3.5 billion Profit Before Tax in 2012. This was due to the effect of the impairment of our North American assets described below.

Impairment

The annual assessment of the assumptions on which our asset base is booked on the balance sheet, resulted in a pre-tax, non-cash impairment of AED 3.2 billion against our North American assets. Post-tax this is AED 2.7 billion.

The impairment reflects a reduction in estimated asset value due to downward reserve revisions, resulting in lower anticipated production. The revisions come from a better understanding of our holdings in North America and an enhanced view of economic recoverability. The action we have taken is consistent within the wider context of continued, industry-wide, low gas price environment.

The impairment charge is non-cash and has no impact on our ability to meet our obligations, including the servicing of our ongoing debt obligations.

In line with the overall reduction in profitability, TAQA reported a lower income tax expense of AED 661 million compared to AED 2.2 billion in 2012. Note that the impairment charge discussed above includes a goodwill impairment of AED 1.6 billion that is not deductible for tax purposes. Adjusted for this, the overall income tax expense for 2013 resulted in an effective tax rate of 135% (62% in 2012). The effective tax rate increased primarily as a result of the fact that our overall loss on the Oil & Gas segment consists of larger losses in North America with a statutory tax rate between 25% and 35%, and profits in the Netherlands and UK with statutory tax rates between 50% and 81%.

Net loss and dividend

We reported a net loss of AED 2.5 billion attributable to equity holders in 2013, compared to AED 649 million profit in 2012. On this basis, the basic and diluted loss per share attributable to equity holders was AED 0.42, compared to an AED 0.11 profit in the prior period.

As a consequence of this loss, we will not be paying a dividend for 2013.

Cashflow Statement

Net cash earned in operating activities was AED 12.5 billion in 2013, compared with AED 11.7 billion in 2012.

Net cash used in investing activities was AED 6.9 billion in 2013, compared to AED 11.3 billion in 2012. Investment projects included Atrush, Fujairah, Jorf Lasfar, Takoradi and Bergermeer Gas Storage, offset by asset sales of non-core acreage in North America and Noordgasttransport B.V., a non-operated pipeline business in the Netherlands.

In December, we also completed the successful IPO of a 14.21% stake in Jorf Lasfar on the Casablanca Stock Exchange, raising AED 673 million of proceeds for TAQA.

Balance Sheet

Consolidated cash on hand, as at 31 December 2013, was AED 3.9 billion, compared to AED 3.8 billion in December 2012. As with previous years, liquidity remains very strong, with unused credit lines of AED 11.0 billion, resulting in overall liquidity of AED 14.9 billion.

Total assets shrank during the year to AED 122 billion from AED 123 billion, reflecting the effect of the impairment in North America, as well as disposals of non-core assets, offset by the acquisition of assets in the UK Central North Sea.

Overall total debt was AED 79.6 billion, comprising non-recourse project finance debt tied to assets of AED 43.1 billion and corporate debt of AED 36.5 billion. This is a marginal decrease of AED 95.5 million from 31 December 2012. This equates to a Net Debt/EBITDA ratio of 5.6x, a decrease from 5.8x in 2012.

Total equity was AED 12.3 billion for 2013, an 8% reduction from AED 13.3 billion in 2012, reflecting the impact of the impairment.

RISK MANAGEMENT

TAQA is exposed to many risks associated with its financing and operations. TAQA utilises, where appropriate, risk-management tools to manage these risks in line with our stated policies.

On the corporate debt portfolio, TAQA faces refinancing risks associated with the maturity of its corporate bonds and revolving bank loan facilities. TAQA manages these risks by spreading the maturity profile over a long time horizon; by taking a proactive approach to refinancing to avoid the need to raise debt under unfavourable market conditions; by diversifying its investor base to gain access to different pools of capital and by maintaining strong liquidity to fund any contingencies. In the short term, the risks associated with interest rate volatility are mitigated with almost all of TAQA's non-project borrowings at year end being fixed-rated debt.

On the exposure to commodity price volatility, TAQA generally relies on the steady and predictable cash flows from the power and water assets to protect it from adverse change in prices. Although TAQA suspended the small commodity hedging programme in North America in 2012, it has continued to monitor the commodity market for opportunities to implement short-term risk mitigation measures. Early in 2014, TAQA took advantage of a strong North American natural gas market to enter into a number of forward pricing contracts to lock in approximately 70% of its 2014 gas production in Canada, net of royalties, to guarantee an average floor price of around US\$ 4.00/MMbtu based on benchmark Henry Hub (HH) pricing point. These forward pricing contracts will allow TAQA to benefit from any upside on gas prices up to a range of about HH US\$ 4.50/MMbtu to HH US\$ 4.90/MMbtu. TAQA will also engage in limited hedging activities against its exposure to key currencies associated with its international operations.

On the operations side, TAQA is exposed to risks associated with onshore and offshore oil and gas operations, power generation and water desalination. Therefore, the Company has adapted a strategy of procuring first-party and third-party insurances to protect against credible catastrophic events. It regularly reviews the adequacy of its insurance programme and benchmarks coverage against that of its industry peers. The company will also seek to retain appropriate levels of primary risk.

CORPORATE GOVERNANCE

As a public company, we continually strive for the highest standards of corporate governance. TAQA's Corporate Governance Policy and Code of Business Ethics Manual together form the backbone of TAQA's governance practices and serve to define and reinforce the core values of TAQA as an organisation.

Structure of the Board

TAQA's Board of Directors comprises seven directors with a broad range of backgrounds, expertise and commercial experience. Each director is appointed for a term of three years and at the end of that period, the Board may be reconstituted. The Board is formed taking into consideration an appropriate balance between executive, non-executive and independent directors. At all times, at least one-third of the directors are to be independent and a majority of directors are to be non-executives who have technical skills and experience for the good of TAQA. Whenever directors are chosen, consideration is given to whether or not a director is able to pay adequate time and effort to his membership and that such membership is not in conflict with his or her other interests.

The Board meets in person on a periodic basis pursuant to a formal schedule.

Committees

Presently, the Board has the following committees, each of which is established by a written charter setting forth its scope and responsibilities:

(a) The Audit Committee; and

(b) The Nomination and Remuneration Committee.

Each committee consists of at least three non-executive directors, of whom at least two members shall be independent directors, and is chaired by an independent director. The Chairman of the Board may not be a member of any such committees. The responsibilities of the Audit Committee include (i) establishing guidelines and procedures for appointing an external auditor and for the auditing of TAQA's financial and operating activities, (ii) assessing the accuracy of expenditure reports, costs, and financial statements, (iii) ensuring TAQA's activities comply with applicable legal and internal corporate governance requirements, (iv) reviewing key accounting assumptions and judgements, and (v) monitoring the independence and objectivity of the external auditors.

The responsibilities of the Nomination and Remuneration Committee include establishing the qualifications of Board members and recommending to the Board the remuneration of senior executives and management personnel, including benefits packages and bonuses.

Current members of each committee are:

Audit Committee

- **HE Salem Sultan Al-Dhaferi** (Chairman)
- **HE Ahmed Mohamed Al-Mehairi**
- **HE Abdulrahman Al-Hemaidi**

Nomination and Remuneration Committee

- **HE Saeed Mubarak Al-Hajeri** (Chairman)
- **HE Ahmed Mohamed Al-Mehairi**
- **HE Abdulrahman Al-Hemaidi**

Internal Controls

The management teams within the business are responsible for the design and implementation of an effective internal control environment. TAQA's Internal Audit function reviews the design and operational effectiveness of the Group's control environment, including compliance, by TAQA and its employees, with applicable laws, regulations and resolutions, and internal policies and procedures. The Internal Audit function reports directly to the Audit Committee to provide independent and objective assessments of internal controls. TAQA also supports a worldwide hotline service, operated by an external third party, that is open 24 hours a day, seven days a week, providing a confidential mechanism for reporting perceived improprieties by telephone or internet.

External Auditor

By statute, TAQA is required to engage an external auditor to review and sign off on TAQA's annual financial statements.

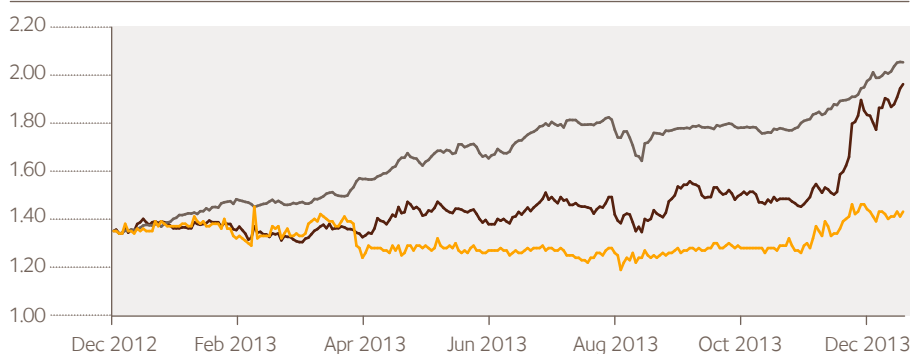
TAQA has taken all requisite measures to ensure the independence of the external auditor, which is chosen through a competitive tender, and to ensure that all operations performed by the external auditor are free from any conflict of interests. For 2013, this was Ernst & Young.

SHAREHOLDER & BONDHOLDER INFORMATION

SHAREHOLDER INFORMATION

TAQA relative share price performance 2013

TAQA
ADX
ADEI



BONDHOLDER INFORMATION

Long-term credit ratings

MOODY'S INVESTOR SERVICES

A3

(stable outlook)

STANDARD & POOR'S

A

(positive outlook)

BONDHOLDER INFORMATION

Bond maturity schedule

Amount Outstanding	Maturity	Coupon %
US \$ 1.2 billion	September 2014	4.750
US \$ 1.0 billion	October 2016	5.875
US \$ 0.75 billion	March 2017	4.125
US \$ 0.5 billion	October 2017	6.165
US \$ 0.75 billion	January 2018	2.500
US \$ 0.5 billion	August 2018	7.250
US \$ 0.5 billion	September 2019	6.250
US \$ 0.75 billion	December 2021	5.875
MYR 650 million	March 2022	4.650
US \$1.25 billion	January 2023	3.625
US \$0.913 billion	October 2036	6.500

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REPORT OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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BOARD REPORT

On behalf of the Board of Directors of Abu Dhabi National Energy Company PJSC ("TAQA" or the "Company"), I am pleased to present the financial statements of TAQA and its subsidiaries (the "Group") for the year ended 31 December 2013.

TAQA was established pursuant to Emiri Decree (16) of 2005 as a public joint stock company with the Abu Dhabi Water and Electricity Authority ("ADWEA") as its founding shareholder holding a 51% equity interest. Accordingly, the Company is a subsidiary of ADWEA.

The principal activity of TAQA is to own, invest in and/or operate companies engaged in the oil and gas, power generation, water, energy and infrastructure sectors, in addition to making other investments as considered appropriate to meet its objectives.

The Group's underlying revenues for 2013 were AED 21.5 billion, 3% higher than the total revenues of AED 20.6 billion for 2012, and the business continued to generate strong operational cash flows, with EBITDA rising 1% to AED 13.4 billion.

The company reported an overall net loss of AED 2.5 billion due to a one-off, non-cash impairment of AED 3.2 billion, mostly relating to the value of oil and gas holdings in North America. The impairment was realised as a result of a reduction in the long-term assumptions for natural gas prices in North America and is in line with recent write-downs by other natural gas producers in the region. The impairment does not affect the company's ability to continue operations or service its debt obligations. The company continues to enjoy a strong financial position, with high levels of liquidity, and has planned capital expenditure in excess of US\$ 2 billion in 2014.

As a consequence of the net loss, the company will not pay a dividend for 2013.

The power and water segment, the bedrock of TAQA's business, continued to produce a strong revenue and earnings stream, while oil and gas recovered from a setback in the UK early in the year to end the year on a high note with record production levels. The company hit key milestones on its large construction and growth projects, with several new facilities poised to come on stream over the next 18 months in the Netherlands, Morocco, Ghana and Iraq.

In the UK North Sea, TAQA successfully integrated the Harding platform and associated assets, which provides the company with a development portfolio across three fields that will extend the life and sustainability of the existing business in the UK. In Q4, UK production levels were a record 68,400 boed, compared with 39,500 boed during the same period in 2012, an increase of 73%.

In North America, TAQA effected a turnaround. The business was restructured, reducing headcount, disposing of non-key acreage and creating a simpler organisation. A more focused capital spending programme centred around the company's highest-value prospects has already started to generate higher production, while maintaining industry-leading safety performance.

In Iraq, TAQA secured regulatory approval for the development plan of the Atrush field, with the first oil production expected in 2015.

In the power and water segment, underlying revenues grew by 5% to AED 9.0 billion, led by a strong performance of TAQA's majority ownership of the UAE power and water fleet.

TAQA made great progress in its largest growth and construction projects.

The first of two new units at the Jorf Lasfar Energy Company power plant in Morocco, where TAQA already provides about 40% of the country's power, synchronised to the grid in October, and the second unit is due for commissioning in the first half of 2014. The successful IPO of the Moroccan business on the Casablanca stock exchange in December raised significant funds for TAQA and added a critical new stakeholder base for the company.

In Ghana, the company passed the half way mark in its expansion of the Takoradi 2 power plant, which is set to increase electricity production by 50% with a highly efficient combined cycle unit.

Construction of the Bergermeer gas storage plant in the Netherlands reached an advanced stage, with the start of preliminary operations on schedule for April 2014. When this project is complete in 2015, it will be the largest open access gas storage facility in Europe, significantly contributing to Europe's energy security.

TAQA's financing operations continued to set a benchmark for the region, with the refinancing of the Shuweihat S2 power and water plant in the UAE setting a precedent for future non-recourse financing of UAE power stations.

The company made significant disposals over the period, including non-core acreage in North America and the non-operated Noordgasttransport B.V. pipeline business in the Netherlands.

In terms of liquidity, we are in a robust financial position of 4 billion dirhams in cash and cash equivalents, and undrawn facilities of 11.0 billion dirhams. Our next significant maturity falls in the second half of 2014, and our available bank facilities are sufficient to meet that need, on attractive terms. This flexibility allows us to take advantage of favourable market opportunities to refinance 2014 repayments, as and when they arise.

Overall, we continue to maintain a very robust financial position that provides us with the resources to effectively manage our debt maturities and support the growth within our business.



HAMAD AL HURR AL SUWAIDI
CHAIRMAN

ABU DHABI NATIONAL ENERGY COMPANY "TAQA"

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL ENERGY COMPANY PJSC ("TAQA")

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Abu Dhabi National Energy Company PJSC ("TAQA") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year, which would have had a material effect on the business of the Company or on its financial position.

Signed by



ANTHONY O'SULLIVAN PARTNER

ERNST & YOUNG
Registration No. 687

24 March 2014
Abu Dhabi

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 AED million	2012 AED million
Revenues			
Revenue from oil and gas	5.1	10,787	10,572
Revenue from electricity and water	5.2	10,015	12,032
Fuel revenue	5.3	3,209	3,645
Gas storage revenue		213	199
Other operating revenue	5.4	1,533	1,337
		25,757	27,785
Cost of sales			
Operating expenses	6	(11,346)	(13,745)
Depreciation, depletion and amortisation	7	(6,229)	(5,495)
Dry hole expenses	16	(348)	(144)
Provisions for impairment	8	(3,247)	(453)
		(21,170)	(19,837)
GROSS PROFIT		4,587	7,948
Administrative and other expenses	9	(1,199)	(1,041)
Finance costs	10.1	(5,087)	(5,023)
Changes in fair values of derivatives and fair value hedges		41	243
Net foreign exchange losses		(186)	(9)
Bargain purchase gain	3	49	200
Share of results of associates	18	128	157
Share of results of joint ventures	19	105	103
Gain on sale of available for sale investment		–	415
Gain on sale of land and oil and gas assets	13	101	380
Interest income	10.2	100	38
Gain on disposal of an associate		–	157
Gain on disposal of a joint venture	19	54	–
Other investment income	19	80	7
Other gains and losses		120	(31)
(LOSS) PROFIT BEFORE TAX		(1,107)	3,544
Income tax expense	11	(661)	(2,183)
(LOSS) PROFIT FOR THE YEAR		(1,768)	1,361
Attributable to:			
Equity holders of the parent		(2,519)	649
Non-controlling interests		751	712
(LOSS) PROFIT FOR THE YEAR		(1,768)	1,361
Basic and diluted (losses) earnings per share attributable to equity holders of the parent (AED)	12	(0.42)	0.11

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 AED million	(Restated) 2012 AED million
(Loss) profit for the year	(1,768)	1,361
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Changes in fair values of derivative instruments in cash flow hedges	1,751	(1,426)
Reclassification adjustments for losses included in the consolidated income statement	1,505	1,537
Reclassification adjustments for ineffective cash flow hedges	(24)	–
Share of other comprehensive income of associates (note 18)	(47)	(14)
Exchange differences arising on translation of overseas operations	(1,383)	743
Changes in fair value of available for sale investments	(21)	250
Realised gain on available for sale investment carried at fair value through other comprehensive income	–	(415)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,781	675
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Board of Directors' remuneration	(6)	(6)
Remeasurement gains (losses) on defined benefit plans (note 2.3)	8	(25)
Net other comprehensive income (loss) not being reclassified to profit or loss in subsequent period	2	(31)
Other comprehensive income for the year	1,783	644
Total comprehensive income for the year	15	2,005
Attributable to:		
Equity holders of the parent	(2,171)	1,197
Non-controlling interests	2,186	808
	15	2,005

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Notes	2013 AED million	(Restated) 2012 AED million
ASSETS			
Non-current assets			
Property, plant and equipment	13	81,654	79,862
Operating financial assets	14	9,977	7,787
Available for sale investments	15	583	509
Intangible assets	16	14,274	16,239
Investment in associates	18	592	433
Investment in joint venture	19	144	723
Advance and loans to associates	20	398	398
Deferred tax asset	11	494	–
Other assets	21	480	896
		108,596	106,847
Current assets			
Inventories	22	2,732	2,910
Operating financial assets	14	342	393
Advance and loans to associates	20	583	697
Accounts receivable and prepayments	23	5,632	7,797
Cash and short-term deposits	24	4,040	3,946
		13,329	15,743
TOTAL ASSETS		121,925	122,590
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	25	6,225	6,225
Treasury shares	25	(293)	(293)
Contributed capital	25	325	325
Other reserves	26	4,290	4,188
Retained (losses) earnings		(1,375)	1,005
Proposed dividends	27	–	607
Foreign currency translation reserve	26	(1,194)	189
Cumulative changes in fair value of available for sale investments		68	89
Cumulative changes in fair value of derivatives in cash flow hedges		(2,593)	(4,343)
		5,453	7,992
Non-controlling interests	28	3,595	1,687
Loans from non-controlling interest shareholders in subsidiaries	29	642	979
Loan from Abu Dhabi Water and Electricity Authority (ADWEA)	30	2,624	2,655
		6,861	5,321
TOTAL EQUITY		12,314	13,313
Non-current liabilities			
Interest bearing loans and borrowings	31	71,058	67,993
Islamic loans	32	2,112	2,304
Deferred tax liabilities	11	4,131	4,679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

AS AT 31 DECEMBER 2013

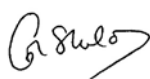
	Notes	2013 AED million	(Restated) 2012 AED million
Asset retirement obligations	33	12,196	9,086
Advances and loans from related parties	34	109	113
Loans from non-controlling interest shareholders in subsidiaries		185	85
Other liabilities	35	4,232	7,181
		94,023	91,441
Current liabilities			
Accounts payable, accruals and other liabilities	36	7,970	7,096
Interest bearing loans and borrowings	31	6,272	9,059
Islamic loans	32	143	131
Loans from non-controlling interest shareholders in subsidiaries		20	20
Amounts due to ADWEA and other related parties	37	453	403
Income tax payable		636	988
Bank overdrafts	24	94	139
		15,588	17,836
Total liabilities		109,611	109,277
TOTAL EQUITY AND LIABILITIES		121,925	122,590



DIRECTOR



DIRECTOR



CHIEF EXECUTIVE OFFICER

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Attributable to owners of the parent

	Issued capital AED million	Treasury shares AED million	Equity contributed capital AED million	Other reserves AED million	Retained (losses) earnings AED million
Balance at 1 January 2012	6,225	(293)	341	4,048	1,138
Adjustment relating to remeasurement losses on defined benefit plans (note 2.3)	—	—	—	—	(20)
Restated balance at 1 January 2012	6,225	(293)	341	4,048	1,118
Profit for the year	—	—	—	—	649
Other comprehensive income (loss) for the year	—	—	—	—	(31)
Total comprehensive income (loss) for the year	—	—	—	—	618
Transfer to statutory reserve	—	—	—	64	(64)
Transfer to legal reserve	—	—	—	76	(76)
Equity contribution recycled to retained earnings (note 25)	—	—	(16)	—	16
Proposed dividends (note 27)	—	—	—	—	(607)
Dividends paid (note 27)	—	—	—	—	—
Dividends paid to non-controlling interest shareholders in subsidiaries	—	—	—	—	—
Share capital injection by non-controlling interest shareholders in a subsidiary	—	—	—	—	—
Repayment of loans	—	—	—	—	—
Restated balance at 31 December 2012	6,225	(293)	325	4,188	1,005
Loss (profit) for the year	—	—	—	—	(2,519)
Other comprehensive income (loss) for the year	—	—	—	—	2
Total comprehensive income (loss) for the year	—	—	—	—	(2,517)
Transfer to legal reserve	—	—	—	102	(102)
Adjustment on repayment of interest free loan by partially owned subsidiary (note 26.2)	—	—	—	—	35
Changes in ownership interest in subsidiaries (note 26.2)	—	—	—	—	204
Dividends paid (note 27)	—	—	—	—	—
Dividends paid and capital returned to subsidiaries' non-controlling interests	—	—	—	—	—
Repayment of loans	—	—	—	—	—
BALANCE AT 31 DECEMBER 2013	6,225	(293)	325	4,290	(1,375)

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

Proposed dividends AED million	Foreign currency translation reserve AED million	Cumulative changes in fair value of available for sale investments AED million	Cumulative changes in fair value of derivatives in cash flow hedges AED million	Total AED million	Non-controlling interests AED million	Loans from non-controlling interest shareholders in subsidiaries AED million	Loan from ADWEA AED million	Total equity AED million
607	(554)	254	(4,344)	7,422	1,433	1,060	2,675	12,590
–	–	–	–	(20)	–	–	–	(20)
607	(554)	254	(4,344)	7,402	1,433	1,060	2,675	12,570
–	–	–	–	649	712	–	–	1,361
–	743	(165)	1	548	96	–	–	644
–	743	(165)	1	1,197	808	–	–	2,005
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
607	–	–	–	–	–	–	–	–
(607)	–	–	–	(607)	–	–	–	(607)
–	–	–	–	–	(567)	–	–	(567)
–	–	–	–	–	13	–	–	13
–	–	–	–	–	–	(81)	(20)	(101)
607	189	89	(4,343)	7,992	1,687	979	2,655	13,313
–	–	–	–	(2,519)	751	–	–	(1,768)
–	(1,383)	(21)	1,750	348	1,435	–	–	1,783
–	(1,383)	(21)	1,750	(2,171)	2,186	–	–	15
–	–	–	–	–	–	–	–	–
–	–	–	–	35	(35)	–	–	–
–	–	–	–	204	454	–	–	658
(607)	–	–	–	(607)	–	–	–	(607)
–	–	–	–	–	(697)	–	–	(697)
–	–	–	–	–	–	(337)	(31)	(368)
–	(1,194)	68	(2,593)	5,453	3,595	642	2,624	12,314

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 AED million	2012 AED million
OPERATING ACTIVITIES			
(Loss) profit before tax		(1,107)	3,544
Adjustments for:			
Depreciation, depletion and amortisation	7	6,229	5,495
Amortisation of deferred expenditure		63	48
Release of onerous contracts provision		(116)	(118)
Employee benefit obligations, net		(22)	(17)
Loss on exchange – loans and borrowings and operating financial assets		122	55
Provisions for impairment	8	3,247	453
Dry hole expenses	16	348	144
Exploration and evaluation costs derecognised during the year	16	45	–
Bargain purchase gain	3	(49)	(200)
Gain on sale of land, oil and gas assets	13	(101)	(380)
Gain on disposal of a joint venture	19	(54)	–
Gain on sale of available for sale investment		–	(415)
Interest expense and notional interest	10	4,512	4,558
Accretion expense	10	575	465
Share of results of associates	18	(128)	(157)
Share of results of joint ventures	19	(105)	(103)
Unrealised losses (gains) on fair valuation of derivatives and fair value of hedges		74	(229)
Gain on disposal of associate		–	(157)
Interest income	10	(100)	(38)
Other investment income		(80)	(7)
Other non-cash adjustments		(97)	100
Construction costs	6	1,353	3,186
Revenue from operating financial assets	14	(2,649)	(4,288)
Working capital changes:			
Inventories		209	207
Accounts receivables and prepayments		(264)	716
Amount due to ADWEA and other related parties		28	(63)
Accounts payables, accruals and other liabilities		917	469
Income tax paid		(1,150)	(2,248)
Board of Directors' remuneration paid		(6)	(6)
Asset retirement obligations payments	33	(170)	(147)
Cash received from service concession arrangements	14	928	838
Net cash from operating activities		12,452	11,705

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

CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 AED million	2012 AED million
INVESTING ACTIVITIES			
Proceeds from sale of non-core assets	13	317	1,810
Proceeds from sale of joint venture	19	814	–
Proceeds from sale of an associate		–	314
Purchase of property, plant and equipment		(5,554)	(5,081)
Construction costs paid		(1,262)	(2,579)
Purchase of interest in Atrush		–	(2,220)
Purchase of businesses		(875)	(483)
Advance on acquisitions		–	(2,474)
Dividends received from available for sale investments		19	7
Net additions to available for sale investment	15	(12)	(189)
Proceeds from sale of available for sale investment		–	956
Dividend received from associates		16	15
Dividend received from joint venture		208	128
Loan repayment by an associate		114	113
Purchase of intangible assets	16	(733)	(1,522)
Interest received		100	38
Acquisition of other assets		(36)	(128)
Net cash used in investing activities		(6,884)	(11,295)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		11,924	10,294
Islamic loans received		–	794
Repayment of Islamic loans		(134)	(130)
Repayment of interest bearing loans and borrowings		(11,610)	(5,482)
Interest paid		(4,616)	(4,421)
Dividend paid to owners of the parent	27	(607)	(607)
Dividend paid to non-controlling interest shareholders		(700)	(582)
Proceeds from share issue in subsidiary, net of transaction costs	26	658	–
Loans received from non-controlling interest shareholders in subsidiaries		105	–
Repayment of capital to non-controlling interest shareholders		(8)	–
Repayment of loans from non-controlling interest shareholders		(342)	(90)
Repayment of loans from ADWEA		(38)	(265)
Net cash used in financing activities		(5,368)	(489)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		200	(79)
Net foreign exchange difference		(61)	67
Cash and cash equivalents at 1 January	24	3,807	3,819
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	3,946	3,807

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

1 CORPORATE INFORMATION

Abu Dhabi National Energy Company PJSC ("TAQA" or the "Company") was established on 21 June 2005 pursuant to the provisions of Emiri Decree number 16/2005 as a public joint stock company with Abu Dhabi Water and Electricity Authority ("ADWEA") as its founding shareholder and 100% owner. During the period from 23 July 2005 to 1 August 2005, 24.9% of TAQA's shares were offered to the public on the Abu Dhabi Securities Exchange through an Initial Public Offering (IPO) and 24.1% were offered through a private offering with the remaining 51% interest holding in the Company retained by ADWEA and, accordingly, the Company is a subsidiary of ADWEA. Following the issuance of mandatory convertible bonds and conversion of the bonds into ordinary shares during the third quarter of 2008, ADWEA's holding increased to 51.05%. Public ownership increased to 27.95% and the balance of 21% is held by the Farmers' Fund. The Company continues to be a subsidiary of ADWEA which was established pursuant to the provisions of Law 2 of 1998, concerning the regulation of the Water and Electricity Sector.

The principal activity of TAQA is to own and invest in companies engaged in power generation, water desalination and exploration, development, production and storage of oil and gas, supplemented by developing alternative and technology-driven energy initiatives in addition to other investments as considered appropriate to meet its objectives. TAQA's registered head office is P O Box 55224, Abu Dhabi, United Arab Emirates.

The consolidated financial statements of TAQA and its subsidiaries (the "Group") for the year ended 31 December 2013 include the financial statements of TAQA and all its subsidiaries. Details of the major operating subsidiaries are provided in note 40 to the consolidated financial statements. Information on other related party relationships of the Group are provided in note 40.

The consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 24 March 2014.

2.1 BASIS OF PREPARATION

The consolidated financial statements of TAQA have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the applicable requirements of the UAE Commercial Companies Law 1984 (as amended).

The consolidated financial statements are prepared on a historical cost basis, except for available for sale investments and derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is also the functional currency and presentation currency of the parent Company. All values are rounded to the nearest million (AED million) except when otherwise indicated.

As of 31 December 2013, the Group's current liabilities exceeded its current assets by AED 2,259 million. The consolidated financial statements have been prepared on a going concern basis since the Group has unused credit lines of AED 10,960 million as of 31 December 2013 and further the management believes that the Group will continue to generate sufficient cash flows from operations to meet its liabilities as and when they fall due.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and each of its subsidiaries as at 31 December 2013.

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

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

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

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

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

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

The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Total comprehensive income within a subsidiary is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if that results in the non-controlling interests having a deficit balance.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2013 and not previously adopted by the Group:

IAS 1 FINANCIAL STATEMENT PRESENTATION – PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (“OCI”)

The amendment to IAS 1 introduces a grouping of items presented in OCI. Items that will be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) now have to be presented separately from items that will not be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 19 EMPLOYEE BENEFITS (AMENDMENT)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income and permanently excluded from profit and loss. Expected returns on plan assets are no longer recognised in profit or loss, instead there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation. Unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

The Group has applied the amendments to IAS 19 retrospectively and the impact is as follows:

Impact on consolidated statement of financial position:

	Other Liabilities AED million	Deferred Tax AED million	Equity AED million
Balance as reported at 1 January 2012	7,317	4,606	12,590
Application of IAS 19R	25	(5)	(20)
Restated balance at 1 January 2012	7,342	4,601	12,570
Balance as reported at 31 December 2012	7,125	4,690	13,358
Application of IAS 19R	25	(5)	(20)
Effect on total comprehensive income for the year	31	(6)	(25)
Restated balance at 31 December 2012	7,181	4,679	13,313

The impact on equity is wholly attributable to equity holders of the parent and has no impact on the equity of non-controlling interests.

Actuarial valuations are obtained annually at the year-end reporting date.

The Group's consolidated statement of financial position as of 1 January 2012 has not been presented since the impact of the application of IAS 19 amendments is not material to the financial statements as of 1 January 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES CONTINUED

IFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – AMENDMENT

The amendment to IFRS 7 requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. collateral agreements). The disclosures 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 the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 27 SEPARATE FINANCIAL STATEMENTS

IFRS 10 establishes a single control model that applies to all entities including special purpose entities and 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. The standard 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.

The application of this new standard did not affect the accounting for any of the Group's subsidiaries.

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. A wide range of changes are introduced in IFRS 11 including the removal of the option to account for jointly controlled entities ("JCEs") using proportionate consolidation and changes relating to the definition and categorisation of joint arrangements. Under IFRS 11, joint arrangements that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 11 had no impact on the investments currently held by the Group.

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements. Additional disclosures resulting from the adoption of IFRS 12 relating to the Group's interests are disclosed in note 28. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities which require disclosure.

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values of derivative financial instruments, bonds and notes, operating financial assets and available for sale investments.

Application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. The standard also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Additional disclosures where required, are provided primarily in note 41 and in the individual notes to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in note 41 to the consolidated financial statements.

IAS 36 IMPAIRMENT OF NON-FINANCIAL ASSETS – RECOVERABLE AMOUNT DISCLOSURES (AMENDMENTS)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted these amendments to IAS 36 in the current period since the amended/additional disclosures provide useful information as intended by the IASB. Accordingly, these amendments have been considered while making impairment disclosures in note 8 and note 17 of the consolidated financial statements.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Reserves base – Oil and gas assets

Oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to proved and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable oil and gas reserves are determined using estimates of oil in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The volume of estimated oil and gas reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

Service concession arrangements

Some of the Group's foreign subsidiaries have entered into power purchase agreements ("PPA") with offtakers in countries where they are operating. Management has determined these arrangements to be service concession arrangements under IFRIC 12 Service Concession Arrangements by applying the requirements of the interpretation to the facts and circumstances in each location. The Group's domestic (United Arab Emirates) subsidiaries have entered into long term Power and Water Purchase Agreements ("PWPA") with Abu Dhabi Water and Electricity Company (ADWEC). Management does not consider the PWPA to fall within the scope of IFRIC Interpretation 12 Service Concession Arrangements.

Operating lease commitments – Subsidiaries as lessor

As mentioned above the Group's domestic subsidiaries have entered into PWPAs. Under the PWPAs, the subsidiaries receive payment for the provision of power and water capacity, whether or not the offtaker (ADWEC) requests power or water output ("capacity payments"), and for the variable costs of production ("energy and water payments"). TAQA and the domestic subsidiaries have determined the PWPAs are lease arrangements and that, based on the contractual arrangements in place, management considers that the Group retains the principal risks and rewards of ownership of the plants and so accounts for the PWPAs as operating leases. When there are amendments to the PWPAs, for example extensions to the PWPA term, management reconsiders whether the Group continues to retain the principal risks and rewards of ownership of the plants.

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 below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

Impairment of non-financial assets – Indicators of impairment

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's property, plant and equipment, intangible assets or goodwill. A broad range of internal and external factors is considered as part of the indicator review process.

Acquisition accounting

When the Group makes an acquisition, significant judgement is required to determine whether the transaction or other event constitutes a business or represents only an asset or group of assets that do not constitute a business. The conclusion whether an acquired set of assets and activities is a business or not can lead to significantly different accounting results.

Estimates and assumptions

The 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 are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Acquisitions of business and associates

Accounting for the acquisition of a business and for associates requires an estimate of fair value to be made for most assets and liabilities of the acquired business. Determining the fair value of assets acquired and liabilities assumed requires judgement by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of licenses and other assets and market multiples. The Group's management uses all available information to make these fair value determinations. The Group has, if necessary, up to one year after the acquisition closing date to complete these fair value determinations and finalise the acquisition accounting.

Power and Water Purchase Agreements

As mentioned above, management does not consider the domestic subsidiaries' PWPAs to fall within the scope of IFRIC 12 Service Concession Arrangement. Based on management's estimate of the useful life and residual value of the assets, the offtaker is not determined to control any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. The classification of the PWPA as an operating lease is based on the judgement applied by management which considers that the Group retains the principal risks and rewards of ownership of the plants, based on management's estimate of the useful life and residual value of the assets. An estimate of the useful life of the asset and residual value is made and reviewed annually. The effects of changes in useful life are recognised prospectively, over the remaining life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. Any difference between the amounts actually collected in future periods and the amounts expected to be recovered will be recognised in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed and a provision applied according to the inventory type.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Impairment testing of non-financial assets

The Group's impairment testing for non-financial assets is based on calculating the recoverable amount of each cash generating unit or group of cash generating units being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from projected cash flows as approved by management and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. Fair value less cost to sell for relevant cash generating units is generally derived from discounted cash flow models using market-based inputs and assumptions. Recoverable amount is most sensitive to price assumptions, foreign exchange rate assumptions and discount rates used in the cash flow models. The key assumptions used to determine the recoverable amount are further explained in notes 8 and 17 to the consolidated financial statements, which relate to impairment charges and impairment testing.

Estimation of oil and gas reserves

Oil and gas reserves and resources used for accounting purposes are estimated using internationally accepted methods and standards. The Group's annual oil and gas reserves and resources review process includes an external audit process conducted by appropriately qualified parties. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes in oil and gas reserves are an important indication of impairment or reversal of impairment and may result in subsequent impairment charges or reversals as well as affecting the unit-of-production depreciation charge in the consolidated income statement.

Provision for decommissioning

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs or asset retirement obligations are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at production sites. The expected timing of expenditure can also change, for example in response to changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Income taxes

The Group recognises the net future tax benefit to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant assumptions related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer 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 the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with 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 interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of the net assets acquired over the aggregate consideration transferred, the difference is recognised as a gain in the consolidated income statement.

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 or group of 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 or group of cash generating units 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 or group of cash generating units retained, except when the Group determines that some other method better reflects the goodwill associated with the operation disposed of.

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current. A liability is current when:

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

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

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding sales taxes, royalties, and other similar levies as applicable.

Oil and gas

Revenue from the sale of oil and gas is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when the product is physically transferred into a delivery mechanism such as a vessel or a pipeline.

Lifting or offtake arrangements for oil and gas produced by certain of the Group's jointly owned assets are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative production entitlement and cumulative sales attributable to each participant at a reporting date represents 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within current assets and current liabilities respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

Gas storage

The income from gas storage is recognised when the service is provided and accepted by customers.

Power and water and fuel revenue

The revenue recognition of the Group's power and water business is as follows:

- Where the Group determines that the PWPA/PPA meets the financial asset model requirements for service concession arrangements, consideration receivable is allocated by reference to the relative fair values of the services delivered. Construction revenue is recognised commensurate with completion of construction when the outcome of the contract can be estimated reliably by reference to the stage of completion, operating revenue is recognised as the service is provided and finance revenue is recognised using the effective interest rate method on the financial asset.
- Where the Group determines that the PWPA/PPA contains an operating lease, capacity payments are recognised as operating lease rental revenue on a systematic basis to the extent that capacity has been made available to the offtaker during the year. Those payments, which are not included as capacity payments (e.g. fuel revenue), are recognised as revenue in accordance with the contractual terms of the PWPA/PPA.
- Energy and water payments are recognised as revenue when the contracted power and water is delivered to the offtaker.
- Fuel revenue represents reimbursements from the offtakers in the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is recognised as and when fuel is consumed in the production of power and water.

LIQUIDATED DAMAGES

Liquidated damages in respect of loss of revenue due to late commissioning are included in revenue net of liquidated damages payable to the off taker when the right to receive the liquidated damages is established.

INTEREST INCOME

Interest income is recognised as the interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

DIVIDEND INCOME

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend.

TAXES

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

- when the deferred income tax liability arises from the initial recognition of goodwill or 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, when 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, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

FOREIGN CURRENCY TRANSLATION

Functional currency is the currency of the primary economic environment in which an entity operates. 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. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCY TRANSLATION CONTINUED

(i) Transactions and balances continued

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 taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates approximating 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 approximating at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is 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 spot rate of exchange on the reporting date.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous

consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated income statement in the period in which the investment is acquired. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The consolidated income statement reflects the Group's share of the results of the operations of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in other comprehensive income or equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income or the consolidated statement of changes in equity, as appropriate. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate or a joint venture is included in the consolidated income statement. This is the profit attributable to equity holders of the associate or joint venture and therefore is the profit after tax and non-controlling interests of the joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies into line with those of the Group. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in the consolidated income statement.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained asset is a financial asset, the Group measures and recognises the retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an associate. There is no remeasurement to fair value upon such changes in ownership interests.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Oil and gas joint ventures

Certain of the Group's activities in the oil and gas segment are conducted through joint operations where the venturers have a direct ownership interest in and jointly control the underlying assets of the venture. The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement. Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

Group as a lessor – Operating leases

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.

Group as a lessor – Finance leases

Leases where the Group transfers substantially all the risks and benefits of ownership of the asset are classified as financial leases. The amounts due from the lessee are recorded in the consolidated statement of financial position as financial assets and are carried at the amount of the net investment in the lease after making provision for bad and doubtful debts.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value 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 the related expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

INTANGIBLE ASSETS CONTINUED

The useful lives of intangible assets are assessed to be either finite or indefinite. Amortisation for intangible assets with finite lives is calculated on a straight-line basis as follows:

Tolling agreement	14 years
Connection rights	34 – 40 years
Computer software	3 years

The amortisation period and the amortisation method for intangible assets with finite useful lives 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 are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Accounting policies relating to intangible assets arising from oil and gas exploration and evaluation expenditure are explained below under oil and natural gas exploration, evaluation and development expenditure.

OIL AND NATURAL GAS EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation costs – capitalisation

Pre-license costs and geological and geophysical exploration costs incurred prior to obtaining the rights to explore are recognised in the consolidated income statement when incurred. Exploration licences are recognised as an exploration and evaluation (“E&E”) asset. The cost of that licence includes the directly attributable costs of its acquisition. Examples of such costs may include non-refundable taxes and professional and legal costs incurred in obtaining the licence. Costs incurred after the rights to explore have been obtained, such as geological and geophysical costs, drilling costs, appraisal and development study costs and other directly attributable costs of exploration and evaluation activity, including technical and administrative costs for each exploration asset, are capitalised as intangible E&E assets. E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the carrying value of the relevant E&E asset is reclassified as a development and production (“D&P”) asset. This category reclassification is only performed after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If commercial reserves are not discovered at the completion of appraisal activity of each asset and it is not expected to derive any future economic benefits, the E&E asset is written off to the consolidated income statement.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – general

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Day to day servicing and maintenance costs are recognised in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning obligation of an asset at the end of its useful life is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets (except for oil and gas properties) as follows:

Building, equipment, plant and machinery	20 to 40 years
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The assets’ residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date.

The cost of spare parts held as essential for the continuity of operations and which are designated as strategic spares are depreciated on a straight line basis over their estimated operating life. Spare parts used for normal repairs and maintenance are expensed when issued.

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.

Property, plant and equipment – oil and gas properties

Oil and gas properties in the development and production phase (“D&P” assets) and other related assets are stated at cost, less accumulated depreciation and accumulated impairment losses (net of reversal of previously recognised impairment losses, if any). The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the proved and probable (“2P”) reserves of the field concerned. The unit-of-production rate for the amortisation of field development costs takes into account expenditures incurred to date, together with estimated future development expenditure. Depreciation on oil and gas properties does not commence until the commencement of production from the property.

Property, plant and equipment – major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the group, the expenditure is capitalised. Where an asset or part of an asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced asset (or asset part) which is immediately written off. Inspection costs associated with major maintenance programs are capitalised when the recognition criteria are met and amortised over the period to the next inspection. Day to day servicing and maintenance costs are expensed as incurred.

Property, plant and equipment – capital work in progress

Capital work in progress is included in property, plant and machinery at cost on the basis of the percentage completed at the reporting date. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the above policies when construction of the asset is completed and commissioned.

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 a reduction to the carrying amount of the asset.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes

a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

INITIAL SPARES FEE

The fee paid for initial spares to be provided under a long-term maintenance contract is capitalised and amortised over the equivalent operating hours of the related power generating equipment.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than continuing use.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statements of financial position.

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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amount 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. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated 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 value less costs of disposal, recent appropriate market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IMPAIRMENT OF NON-FINANCIAL ASSETS CONTINUED

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment on an annual basis at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the group of cash generating units, to which the goodwill is allocated. When the recoverable amount of the group of cash generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where applicable, for the purposes of testing goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that, led to the creation of goodwill, and remain at the reporting date as estimated by the management are treated as part of the relevant group of cash generating units.

Exploration & evaluation (E&E) costs

An impairment review is performed if and when facts and circumstances indicate that the carrying amount of an E&E asset may exceed its recoverable amount. For the purpose of E&E asset impairment testing, cash generating units are grouped at the operating segment level. An impairment test performed in the E&E phase therefore involves grouping all E&E assets within the relevant segment with the development & production (D&P) assets belonging to the same segment. The combined segment carrying amount is compared to the combined segment recoverable amount and any resulting impairment loss identified within the E&E asset is written off to the consolidated income statement. The recoverable amount of the segment is determined as the higher of its fair value less costs to sell and its value in use.

INVENTORIES

Inventories of fuel for the purpose of powering electricity generation facilities are valued at the lower of cost, determined on the basis of weighted average cost, and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. 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. Inventories of oil and oil products, which represent production from oil and gas facilities of the Group which are tanked at storage facilities awaiting sale, are valued at market value.

SERVICE CONCESSIONS

The Group accounts for service concession arrangements under IFRIC 12 when the following conditions are met:

- the grantor (usually a government entity) controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor (usually a government entity) controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In view of the above, concession infrastructure that does not meet the requirements of IFRIC 12 is presented as property, plant and equipment. Under IFRIC 12, the operator's rights over the plant operated under concession arrangements are accounted for based on the party primarily responsible for payment:

- the "intangible asset model" is applied when users have primary responsibility to pay for the concession services; and
- the "financial asset model" is applied when the grantor has the primary responsibility to pay the operator for the concession services.

Where the grantor guarantees the amounts that will be paid over the term of the contract (e.g. via a guaranteed internal rate of return), the financial asset model is used to account for the concession infrastructure, since the grantor is primarily responsible for payment. The financial asset model is used to account for Build, Operate and Transfer (BOT) contracts entered into with the grantor. The Group recognises financial assets from service concession arrangements in the consolidated statement of financial position as operating financial assets.

Pursuant to these principles:

- infrastructure to which the operator is given access by the grantor of the concession at no consideration is not recognised in the consolidated statement of financial position;
- start-up capital expenditure is recognised as follows:
 - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the cost of intangible asset and should be recognised when the infrastructure is built provided that this work is expected to generate future economic benefits,

- under the financial asset model, the amount receivable from the grantor is recognised at the time the infrastructure is built, at the fair value of the construction and other work carried out,
- when the grantor has a payment obligation for only part of the investment, the cost is recognised in receivables for the amount guaranteed by the grantor, with the balance included in intangible assets.

FINANCIAL ASSETS

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as 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 are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the consolidated statement of financial position at fair value with gains or losses recognised in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortised cost using the effective interest rate method less impairment charges. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the consolidated income statement. Gains and losses arising on the derecognition or impairment of loans and receivables are also recognised in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is recognised in the consolidated income statement. Gains and losses arising on the derecognition or impairment of held-to-maturity investments are recognised in the consolidated income statement.

Available-for-sale financial assets

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

FINANCIAL LIABILITIES

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, interest bearing loans and borrowings, Islamic loans and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FINANCIAL LIABILITIES CONTINUED

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate amortisation is recognised in the consolidated income statement. Gains and losses arising on the derecognition of loans and borrowings are also recognised in the consolidated income statement.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial

asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated income statement.

Available for sale investments

For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor

retained substantially all the risks and rewards of the asset, nor transferred control of the asset the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises a liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts and options to hedge its foreign exchange risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the consolidated income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income, and later reclassified to the consolidated income statement when the hedge item affects profit or loss.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced 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:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

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

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

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, any adjustment to the carrying value is amortised through the consolidated income statement over the remaining term of the hedge using the effective interest method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement.

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31 DECEMBER 2013

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING CONTINUED

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated income statement.

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment occurs.

The Group uses forward currency contracts as hedges of its exposures to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts or options for its exposure to volatility in the commodity prices.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in other comprehensive income is transferred to the consolidated income statement.

NORMAL PURCHASE OR SALE EXEMPTION

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements fall within the exemption from IAS 32 and IAS 39, which is known as the 'normal purchase or sale exemption'. These contracts are accounted for as executory contracts. The Group recognises such contracts in its statement of financial position only when one of the parties meets its obligation under the contract to deliver either cash or a non-financial asset.

TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other reserves.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Employees' end of service benefits

The Group provides end of service benefits to certain employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period and year, the expected costs of these benefits are accrued over the years of employment. With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pensions and Benefits Fund calculated as a percentage of the employees' salaries. Where the Group's obligations are limited to these contributions made to pension and benefit funds, these contributions are expensed on a monthly basis and paid when due.

Defined benefit pension plan

The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for an individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated income statement as incurred.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

PROVISIONS

General

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. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated 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 the time value of money and 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.

Asset retirement obligations/ decommissioning liability

Certain subsidiaries have legal obligations in respect of site restoration and abandonment of their power generation and water desalination assets and oil and gas properties at the end of their useful lives (decommissioning costs). The Group records a provision for the site restoration and abandonment based upon estimated costs at the end of their useful lives. Accordingly, a corresponding asset is recognised in property, plant and equipment. Decommissioning costs are recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognised as part of the cost of each specific asset. The cash flows are discounted at a rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance cost. The estimated future costs of the asset retirement obligation are reviewed annually and adjusted as appropriate. Changes to provisions based on revised costs estimates or discount rate applied charges are added to or deducted from the cost of the relevant asset.

Production bonuses

The Group's production sharing contract contains a legal obligation for production bonuses to be paid to the Kurdistan Regional Government when certain production targets are achieved. The Group records a provision for these bonuses when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. This is assessed based on the Group's share of proved and probable reserves under the production sharing contract.

CONTINGENCIES

From time to time the Group receives claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists. A liability is accrued only if an adverse outcome is more likely than not and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the claim is disclosed as a contingent liability, if material. The actual outcome of a claim may differ from the estimated liability and consequently may affect the financial performance and position of the Group.

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards, amendments to standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendment

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.

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

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The amendments are effective for annual periods beginning on or after 1 January 2014 and are not relevant to the Group, since it does not qualify as an investment entity under IFRS 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE CONTINUED

IFRIC Interpretation 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The interpretation is not expected to impact the Group's financial position or performance and becomes effective for annual periods beginning on or after 1 January 2014.

IAS 39 Amendments: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated any of its derivatives during the current period. However, these amendments would be considered for any future novations.

IFRS 9 Financial Instruments

In November 2009 IFRS 9 was issued which introduced new requirements for the classification and measurement of financial assets. It was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition. Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. IFRS 9 also allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In November 2013, the IASB issued new IFRS 9 requirements related to hedge accounting (except accounting for open portfolio or macro hedging) which align hedge accounting more closely with risk management, resulting in more useful information to users of financial statements. The requirements also establish a more principal based approach to hedge accounting and address inconsistencies and weakness in the hedge accounting model in IAS 39.

IFRS 9 has not yet been fully finalised as the impairment of financial assets phase is still under deliberation. The mandatory date of application is 1 January 2018. The Group is currently assessing the impact that IFRS 9 will have on the Group's financial position and performance, but based on preliminary analyses, no material impact is expected.

IMPROVEMENTS TO IFRSs (ISSUED IN DECEMBER 2013)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 July 2014. These improvements will not have an impact on the Group, but include:

IFRS 3 Business Combinations

The amendments clarify that contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date at fair value, irrespective of whether the contingent consideration is a financial instrument, with changes in fair value recognised in profit or loss.

IFRS 13 Fair Value Measurement

The basis for conclusions was amended to confirm the existing measurement treatment of short-term receivables and payables whereby those with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial.

3 BUSINESS COMBINATIONS

ACQUISITIONS IN 2013

During the year ended 31 December 2013, TAQA made the following acquisitions, which represent business combinations under IFRS 3:

ACQUISITION OF HARDING OIL FIELD AND CENTRAL NORTH SEA OIL AND GAS ASSETS

On 1 June 2013, TAQA Bratani completed the acquisition of certain UK North Sea oil and gas assets from a subsidiary of BP plc under a Sale and Purchase Agreement executed on 27 November 2012. As a result of the acquisition TAQA now owns interests in the Harding (70%), Morrone (70%) and Maclure (37.037%) fields. The transaction has also increased TAQA's non-operated interests by between 20% and 52% in a number of fields in the Brae area and associated transport infrastructure, including the SAGE gas pipeline (14%). There is no non-controlling interest related to the acquisition. The fair values of the identifiable assets and liabilities relating to the business combination as at the transaction completion date were as follows:

	Fair value recognised on acquisition AED million
Property, plant and equipment	4,280
Deferred tax	815
Inventory	34
Accounts receivables, prepayments and underlift	110
	5,239
Accounts payable, accruals and other liabilities	(124)
Asset retirement obligations	(1,965)
	(2,089)
Total identifiable net assets at fair value	3,150
Goodwill arising on acquisition	94
TOTAL CONSIDERATION	3,244

The fair values of the acquired accounts receivable, prepayments and under lifted crude oil entitlement approximate the carrying values due to their short-term nature.

The goodwill arising is attributable to the recognition of deferred tax liabilities on acquisition and is not deductible for tax purposes.

Included within the total consideration is an amount of AED 43 million in respect of an estimated contingent consideration liability. The group is required to pay BP additional consideration amounting to an agreed percentage of any excess (less notional tax), of the average price of Brent Crude Oil over a contractually agreed reference price in respect of production from certain fields during 2013, 2014 and 2015. The additional consideration is capped at a contractually agreed maximum oil price.

From the date of acquisition, the acquired assets have contributed approximately AED 1,647 million of revenue and AED 156 million to the profit of the Group.

The consideration exchanged in the transaction reflects the agreed initial price as at the economic effective date of the deal, adjusted for cash flows associated with the assets between the economic date and the completion date of the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2013

3 BUSINESS COMBINATIONS CONTINUED

ACQUISITION OF OPERATED INTEREST IN DEVENICK FIELD

On 28 June 2013, TAQA Bratani acquired BP's 88.7% operated interest in the unitised Devenick field area. Devenick is a gas condensate field located in UK North Sea Blocks 9/24b and 9/29a. The field came on stream in October 2012. TAQA and BP have, concurrent with the business combination, entered into an agreement to share cash flows from the future performance of the Devenick field generally in the ratio 80% to BP: 20% to TAQA.

There is no non-controlling interest related to the acquisition. The fair values of the identifiable assets and liabilities relating to the business combination as at the transaction completion date were as follows:

	Fair value recognised on acquisition AED million
Assets	
Property, plant and equipment	143
Liabilities	
Accounts payable, accruals and other liabilities	(15)
Deferred tax	(56)
Asset retirement obligations	(52)
	(123)
Total identifiable net assets at fair value	20
Bargain purchase gain arising on acquisition	(49)
NET RECEIPT AT ACQUISITION	(29)

The bargain purchase gain has arisen as a result of the change in fair values between the execution of the sale and purchase agreement in 2012 and the legal completion date when purchase accounting was applied. None of the bargain purchase gain will be taxable.

From the date of acquisition, the acquired assets have contributed approximately AED 146 million of revenue and AED 81 million to the profit of the Group (including the above bargain purchase gain).

ACQUISITION OF INTEREST IN THE OTTER FIELD

On 23 October 2013, TAQA Bratani LNS Limited acquired a 19.004% interest in the Otter field in Block 210/15a and 210/20d from Dana Petroleum (BVUK) Ltd. This brings TAQA's total interest in the field to 100%. The provisional fair values of the identifiable assets and liabilities relating to the business combination as at the transaction completion date were as follows:

	Fair value recognised on acquisition AED million
Property, plant and equipment	57
Deferred tax	4
Inventory	1
Accounts receivables, prepayments and underlift	3
	65
Accounts payable, accruals and other liabilities	(1)
Asset retirement obligations	(65)
	(66)
Total identifiable net assets at fair value	(1)
Goodwill arising on acquisition	25
TOTAL CONSIDERATION	24

The fair value of the acquired accounts receivable, prepayments and underlift approximates the carrying value due to their short-term nature.

The goodwill recognised is attributable to the recognition of deferred tax liabilities on acquisition and is not deductible for tax purposes.

From the date of acquisition, the acquired assets have contributed no revenue and profit of AED 1 million to the Group, as a result of accumulated underlift.

Had the three business combinations described above, been effected from the beginning of the financial year (at 1 January 2013), the total revenue of the Group would have been approximately AED 27,099 million.

It has not been practical to present the profit of the Group for the current year as though the acquisition date for all three business combinations that occurred during the year had been as of the beginning of the year. This is due to the businesses, and specified assets and liabilities acquired, not representing a separate reporting entity of the seller. As a result there is no reliable basis for identifying the proportion of the preacquisition results that relates to the businesses acquired by TAQA.

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31 DECEMBER 2013

3 BUSINESS COMBINATIONS CONTINUED

ACQUISITIONS IN 2012

During the year ended 31 December 2012, TAQA made the following acquisitions, which represent business combinations under IFRS 3:

ACQUISITION OF A 50% UNDIVIDED INTEREST IN OTTER ASSETS:

On 24 February 2012, TAQA Bratani completed the acquisition of a 50% undivided interest in the producing Otter field and associated infrastructure and agreements. The acquisition accounting was finalised in 2012. The fair values of the net assets acquired was AED 6 million. Consideration of AED 86 million was received and as a result a bargain purchase gain of AED 92 million was recognised, primarily as a result of the change in fair values between the economic date of the agreement (1 September 2009) and the legal completion date when purchase accounting was applied.

ACQUISITION OF NUVISTA ASSETS:

On 17 October 2012, TAQA North completed the acquisition of a business constituting a package of certain oil and gas interests in Central Alberta from NuVista Energy. The acquisition accounting was finalised in 2012. The fair value of the net assets acquired was AED 677 million. An amount of AED 569 million was paid as consideration resulting in a bargain purchase gain of AED 108 million.

4 OPERATING SEGMENTAL INFORMATION

The Group's operating segments are established on the basis of those components of the group that are evaluated regularly by the chief operating decision maker in determining allocation of resources and assessing performance. In prior years, the Group was organised into business units based on their geography and products and services. This resulted in five reportable operating segments as follows:

- Power and Water Segment – U.A.E
- Power Segment – Others
- Oil and Gas Segment – North America
- Oil and Gas Segment – United Kingdom
- Oil and Gas Segment – Netherlands

As of 1 January 2013, a review of the Group's operating segments identified that the operating structure disclosed in prior periods was no longer appropriate. Changes to the Group's management reporting in 2013 has eliminated the number of operating segments. Business units are no longer assessed taking into account geography: only products and services are considered in management's assessment of the Group's performance and in the allocation of resources to segments. This has resulted in the Group having two main operating segments as follows:

Power and Water Segment

This segment is engaged in generation of electricity and production of desalinated water for supply.

Oil and Gas Segment

This segment is engaged in Upstream and Midstream oil and gas activities.

As a result of this change, the corresponding information for the prior period has been restated.

Segment performance is evaluated based on cash flows. Group financing (including finance costs except for the subsidiaries involved in power and water generation with project financing arrangements and interest income) is managed on a group basis and is not allocated to operating segments.

Investment in certain associates with activities other than power and water generation and oil and gas and available for sale investments are managed on a group basis and are therefore not allocated to operating segments.

Interest bearing loans and borrowings and Islamic loans except for the subsidiaries involved in power and water generation with project financing arrangements and bank overdrafts are managed on a group basis and are not allocated to operating segments.

The following table presents revenue and profit information for the Group's operating segments:

	Power and water AED million	Oil and gas AED million	Adjustments, eliminations and unallocated AED million	Consolidated AED million
Year ended 31 December 2013:				
Revenue from external customers	13,567	12,187	3	25,757
Operating expenses	(6,348)	(4,996)	(2)	(11,346)
Administrative and other expenses	(280)	(538)	(381)	(1,199)
Share of results of associates	8	–	120	128
Share of results of joint ventures	–	79	26	105
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	6,947	6,732	(234)	13,445
Provision for impairment	–	(3,247)	–	(3,247)
Dry hole expenses	–	(348)	–	(348)
Depreciation, depletion and amortisation	(1,794)	(4,411)	(24)	(6,229)
Earnings (loss) before interest and tax (EBIT)	5,153	(1,274)	(258)	3,621
Finance costs	(2,629)	(529)	(1,929)	(5,087)
Changes in fair value of derivatives and fair value hedges	47	(7)	1	41
Net foreign exchange gains (losses)	36	28	(250)	(186)
Bargain purchase gain	–	49	–	49
Gain on sale of land and oil and gas assets	–	101	–	101
Interest income	61	23	16	100
Gain on disposal of joint venture	–	54	–	54
Other investment income	–	60	20	80
Other gains	17	–	103	120
Income tax (expense) credit	(265)	(625)	229	(661)
PROFIT (LOSS) FOR THE YEAR	2,420	(2,120)	(2,068)	(1,768)
Year ended 31 December 2012:				
Revenue from external customers	15,770	12,015	–	27,785
Operating expenses	(8,881)	(4,864)	–	(13,745)
Administrative and other expenses	(282)	(598)	(161)	(1,041)
Share of results of associates	6	–	151	157
Share of results of joint venture	–	103	–	103
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	6,613	6,656	(10)	13,259
Provision for impairment	–	(453)	–	(453)
Dry hole expenses	–	(144)	–	(144)
Depreciation, depletion and amortisation	(1,756)	(3,721)	(18)	(5,495)
Earnings (loss) before interest and tax (EBIT)	4,857	2,338	(28)	7,167
Finance costs	(2,571)	(421)	(2,031)	(5,023)
Changes in fair value of derivatives and fair value hedges	223	22	(2)	243
Net foreign exchange gains (losses)	15	(13)	(11)	(9)
Bargain purchase gain	–	200	–	200
Gain from sale of land assets	–	380	–	380
Gain on sale of available for sale investment	–	–	415	415
Interest income	–	–	38	38
Other investment income	–	–	7	7
Gain on disposal of an associate	–	–	157	157
Other gains and losses	18	–	(49)	(31)
Income tax (expense) credit	(345)	(2,112)	274	(2,183)
PROFIT (LOSS) FOR THE YEAR	2,197	394	(1,230)	1,361

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31 DECEMBER 2013

4 OPERATING SEGMENTAL INFORMATION CONTINUED

The following table presents segment assets and liabilities of the Group's operating segments as at 31 December 2013 and 2012.

	Power and water generation AED million	Oil and Gas AED million	Adjustments, eliminations and unallocated AED million	Consolidated AED million
At 31 December 2013				
Investment in associates	71	–	521	592
Investment in joint venture	–	–	144	144
Advance and loans to associates	13	–	968	981
Operating financial assets	10,319	–	–	10,319
Other assets	57,142	51,739	1,008	109,889
TOTAL ASSETS	67,545	51,739	2,641	121,925
TOTAL LIABILITIES	52,480	21,751	35,380	109,611
At 31 December 2012				
Investment in associates	60	–	373	433
Investment in joint venture	–	723	–	723
Advance and loans to associates	17	–	1,078	1,095
Operating financial assets	8,180	–	–	8,180
Other assets	58,158	52,486	1,515	112,159
TOTAL ASSETS	66,415	53,209	2,966	122,590
TOTAL LIABILITIES	52,000	18,921	38,356	109,277
OTHER DISCLOSURES				
Year ended December 2013				
Additions to property, plant and equipment	592	5,771	37	6,400
Construction costs relating to operating financial assets	1,353	–	–	1,353
Additions to intangible assets	12	715	6	733
Provision for impairment	–	(3,247)	–	(3,247)
Dry hole expenses	–	(348)	–	(348)
Year ended December 2012				
Additions to property, plant and equipment	919	5,177	1	6,097
Construction costs relating to operating financial assets	3,513	–	–	3,513
Additions to intangible assets	–	3,735	7	3,742
Provision for impairment	–	(453)	–	(453)
Dry hole expenses	–	(144)	–	(144)

- Inter-segment transactions are on an arm's-length basis in a manner similar to transactions with third parties.
- Inter-segment revenues are eliminated on consolidation.
- Construction costs represent expenditure incurred on Jorf 5&6 and Takoradi expansion in Morocco and Ghana respectively (note 6).

GEOGRAPHICAL INFORMATION

The following tables present revenue, certain asset information relating to the Group based on geographical location of the subsidiaries:

	UAE AED million	North America AED million	United Kingdom AED million	Netherlands AED million	Africa AED million	Others AED million	Total AED million
REVENUE							
Year ended 31 December 2013:	7,183	4,761	6,783	1,488	5,102	440	25,757
Year ended 31 December 2012:	7,000	4,254	6,872	1,649	7,554	456	27,785
NON-CURRENT ASSETS							
At 31 December 2013:	45,669	26,328	15,499	5,473	9,744	3,672	106,385
At 31 December 2012:	46,920	32,357	9,754	4,342	7,896	3,515	104,784

Non-current assets for this purpose consist of operating financial assets, property, plant and equipment, intangible assets and other assets.

OTHER INFORMATION

The following table provides information relating to the Group's major customers which contribute more than 10% towards the Group's revenue.

	Power and water AED million	Oil and Gas AED million	Total AED million
Year ended 31 December 2013			
Customer 1	7,183	–	7,183
Customer 2	3,235	–	3,235
Customer 3	–	4,963	4,963
TOTAL	10,418	4,963	15,381
Year ended 31 December 2012			
Customer 1	7,000	–	7,000
Customer 2	2,652	–	2,652
Customer 3	–	6,319	6,319
TOTAL	9,652	6,319	15,971

5 REVENUES

5.1 REVENUE FROM OIL AND GAS

	2013 AED million	2012 AED million
Gross oil and gas revenue	11,438	11,249
Less: royalties	(651)	(677)
	10,787	10,572

5.2 REVENUE FROM ELECTRICITY AND WATER

Operating lease revenue	5,805	5,882
Revenue from operating financial assets (note 14)	2,649	4,288
Sale of electricity	205	130
Energy payments and other related revenue	1,356	1,732
	10,015	12,032

Revenue from operating financial assets includes in relation to JLEC 5&6 of AED 748 million (2012: AED 3,252 million) and the TICO power plant expansion of AED 651 million (2012: AED 337 million).

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31 DECEMBER 2013

5 REVENUES CONTINUED

5.3 FUEL REVENUE

Fuel revenue represents reimbursements from the offtakers of the power and water subsidiaries at market prices for fuel consumed in power generation in accordance with the terms of the power and water purchase agreements and the power purchase agreements. Fuel revenue is further analysed as follows:

	2013 AED million	2012 AED million
Backup fuel in domestic subsidiaries reimbursed by ADWEC (note 39)	17	46
Reimbursement of coal and other fuel costs in foreign power subsidiaries	3,192	3,599
	3,209	3,645

5.4 OTHER OPERATING REVENUE

Net processing income	493	378
Tariff income	152	109
Gas trading	556	751
Refinancing and lease extension fee	177	–
Others	155	99
	1,533	1,337

6 OPERATING EXPENSES

	2013 AED million	2012 AED million
Staff costs	358	288
Repairs, maintenance and consumables used	3,490	3,104
Fuel expenses	3,169	3,532
Construction costs	1,353	3,513
Charges by operating and maintenance contractors	1,359	1,302
Oil and gas operating costs	641	1,060
Gas purchases for trading	543	700
Transportation costs	214	103
Gas storage expenses	57	36
Exploration and evaluation assets written off (note 16)	45	–
Others	117	107
	11,346	13,745

Construction costs include costs in relation to Jorf 5&6 of AED 721 million (2012: AED 3,186 million) and the Takoradi power plant expansion of AED 632 million (2012: AED 327 million).

7 DEPRECIATION, DEPLETION AND AMORTISATION

	2013 AED million	2012 AED million
Depreciation of property, plant and equipment and depletion of oil and gas assets (note 13)	6,091	5,360
Amortisation of initial spares fees (note 21)	12	12
Amortisation of intangible assets (note 16)	146	140
Recovery of intangible asset amortisation	(20)	(17)
	6,229	5,495

8 PROVISIONS FOR IMPAIRMENT

	2013 AED million	2012 AED million
Provision for impairment on property, plant and equipment (note (i))	1,733	453
Reversal of provision for impairment on property, plant and equipment (note (ii))	(84)	–
Impairment charge relating to goodwill (see note 17)	1,598	–
	3,247	453

(i) Provision for impairment on property, plant and equipment

During the year ended 31 December 2013, a pre-tax impairment charge of AED 1,733 million (post tax: AED 1,105 million) was recognised in the consolidated income statement representing the write down of certain oil and gas assets located in the US, East Central and North CGUs in North America to their recoverable amounts. These assets are included in the oil and gas segment. The recoverable amounts were based on fair value less costs of disposal ("FVLCD"). The carrying amount of the US CGU was determined to be higher than its recoverable amount of AED 353 million and a pre-tax impairment loss of AED 1,511 million in 2013 was recognised. The carrying amount of the East Central CGU was determined to be higher than its recoverable amount of AED 1,424 million and a pre-tax impairment loss of AED 160 million in 2013 was recognised. The carrying amount of the North CGU was determined to be higher than its recoverable amount of AED 3,968 million and a pre-tax impairment loss of AED 62 million in 2013 was recognised. In determining FVLCD, an appropriate discounted cash flow valuation model is used, incorporating market based assumptions.

The key assumptions for the FVLCD calculations are outlined in note 17 to the consolidated financial statements. In determining the FVLCD for the cash generating units, the cash flows were discounted using a post-tax discount rate of 7.2% (2012: 7.2%).

The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The write-down was primarily as a result of a decline in reserves in the cash generating units under a low gas price environment.

The impairment charge of AED 453 million for the year ended 31 December 2012 was in relation to the write down of certain oil and gas assets in North America due to the decline in reserves under a low gas price environment.

(ii) Reversal of provision for impairment on property, plant and equipment

The reversal of impairment charges during the year ended 31 December 2013 relates to the write-back of prior period charges made in respect of oil and gas assets located within the UK. These assets are included in the oil and gas segment. The recoverable amounts were based on the FVLCD method and were determined at the cash-generating unit level. In determining FVLCD, an appropriate discounted cash flow valuation model was used, incorporating market based assumptions. The key assumptions for the FVLCD calculations are outlined in note 17 to the consolidated financial statements. In determining the FVLCD for the cash generating unit, the cash flows were discounted using a post-tax discount rate of 7.5% (2012: 7.2%). The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

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31 DECEMBER 2013

9 ADMINISTRATIVE AND OTHER EXPENSES

	2013 AED million	2012 AED million
Salaries and related expenses	722	682
Professional fees and business development expenses (note (i))	158	144
Others	319	215
	1,199	1,041

(i) Professional fees and business development expenses include fees paid to the statutory auditor for audit and other services to the Group of AED 14.1 million (2012: AED 17.6 million).

	2013 AED '000	2012 AED '000
Audit of the group financial statements	600	600
Audit and review related assurance services of subsidiaries	10,754	9,698
Tax advisory services	2,430	2,715
All other services	325	4,574
	14,109	17,587

10 FINANCE COSTS AND INTEREST INCOME

10.1 FINANCE COSTS

	2013 AED million	2012 AED million
Finance costs relating to bonds and notes	1,964	1,901
Finance costs relating to interest bearing loans and borrowings and Islamic loans	1,020	1,103
Finance costs on loan from ADWEA (note 39)	21	21
Notional interest expense on loan from ADWEA and ADPC (note 34)	2	13
Interest expense on interest rate swaps	1,505	1,520
Asset retirement obligation accretion expense (note 33)	554	436
Other accretion expense	21	29
	5,087	5,023

10.2 INTEREST INCOME

Interest income on loan to associate (note 39)	5	5
Interest income on receivables	82	–
Interest income on short-term deposits	13	33
	100	38

11 INCOME TAX

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	2013 AED million	2012 AED million
CONSOLIDATED INCOME STATEMENT		
Current income tax:		
Current income tax charge	899	2,219
Adjustment in respect to income tax of previous years	(59)	(87)
Deferred income tax:		
Relating to origination and reversal of temporary differences	(179)	51
Income tax expense reported in the consolidated income statement	661	2,183

Incorporated within deferred income tax expense above are exchange differences on deferred foreign tax liabilities and assets which are recognised in the consolidated statement of comprehensive income and are classified within income tax as they are considered to be part of the tax expense of the Group. In 2013 these differences amounted to deferred income tax benefit of AED 22 million (2012: deferred income tax benefit of AED 7 million).

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable statutory tax rate for the years ended 31 December 2013 and 2012 is as follows:

	2013 AED million	2012 AED million
(Loss) profit before tax	(1,107)	3,544
Non-taxable income (including income in non-taxable jurisdictions)	560	(1,287)
TOTAL TAXABLE (LOSS) PROFIT	(547)	2,257
Applicable tax charge at statutory rates – weighted average of 68% (2012: 70%)	(372)	1,580
Adjustment in respect to income tax of previous years	(59)	(87)
Withholding taxes	112	80
Tax incentives	(72)	(49)
Special production taxes on upstream activities	594	898
Others	458	(239)
Income tax expense reported in the consolidated income statement	661	2,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2013

11 INCOME TAX CONTINUED

DEFERRED TAX

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position (Restated)		Consolidated income statement	
	2013 AED million	2012 AED million	2013 AED million	2012 AED million
Deferred tax assets:				
Temporary difference on property, plant and equipment	192	–	192	–
Temporary difference arising on asset retirement obligations	14	–	14	–
Tax losses	288	–	288	–
	494	–	494	–
Deferred tax liabilities:				
Temporary difference on property, plant and equipment	10,819	9,204	1,363	886
Temporary difference arising on asset retirement obligations	(4,976)	(3,483)	(463)	3
Tax losses	(1,453)	(1,054)	(419)	(447)
Others	(259)	12	(165)	(391)
	4,131	4,679	316	51

Based on the latest available forecast of future profits, the Group has determined AED 216 million of tax losses (2012: AED 265 million) are unlikely to be utilised in the foreseeable future. Hence no deferred tax benefit has been recognised, though these losses remain available for offset against future taxable profits.

At 31 December 2013, there were no amounts unrecognised in respect of deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain subsidiaries (2012: AED 147 million). The Group has determined that undistributed profits of certain subsidiaries will be distributed in the foreseeable future and recognised the applicable tax liability.

12 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

Basic earnings (loss) per share amounts are calculated by dividing profit (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per share amounts are calculated by dividing the profit (loss) attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the income (loss) and shares data used in the earnings per share computations:

	2013	2012
(Loss) profit for the year attributable to owners of the parent (AED million)	(2,519)	649
Weighted average number of ordinary shares issued (million)	6,066	6,066
Basic (loss) earnings per share (AED)	(0.42)	0.11

No figure for diluted earnings (loss) per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised. The weighted average number of shares take into account the treasury shares as at year end.

13 PROPERTY, PLANT AND EQUIPMENT

	Capital work in progress AED million	Building, equipment, plant and machinery AED million	Oil and gas assets AED million	Plant spares AED million	Total AED million
2013					
Cost:					
At 1 January 2013	2,536	55,433	49,146	419	107,534
On business combination (note 3)	–	–	4,480	–	4,480
Additions	1,390	550	4,455	5	6,400
Sale of assets (note i)	(11)	(12)	(157)	(93)	(273)
Transfers (note 16)	(88)	97	72	(9)	72
Exchange adjustment	(9)	165	(1,936)	–	(1,780)
At 31 December 2013	3,818	56,233	56,060	322	116,433
Depreciation and depletion:					
At 1 January 2013	–	10,301	15,645	93	26,039
Charge for the year (note 7)	–	1,881	4,193	17	6,091
On sale of assets	–	(1)	(54)	(23)	(78)
Exchange adjustment	–	144	(621)	–	(477)
At 31 December 2013	–	12,325	19,163	87	31,575
Impairment:					
At 1 January 2013	–	–	1,633	–	1,633
Impairment charge during the year (note 8)	–	–	1,733	–	1,733
Impairment reversal during the year (note 8)	–	–	(84)	–	(84)
Exchange adjustment	–	–	(78)	–	(78)
At 31 December 2013	–	–	3,204	–	3,204
Net carrying amount:					
At 31 December 2013	3,818	43,908	33,693	235	81,654
2012					
Cost:					
At 1 January 2012	826	55,076	42,684	402	98,988
On business combination	–	–	823	–	823
Additions	1,848	192	4,040	17	6,097
Sale of assets (note ii)	–	–	(44)	–	(44)
Transfers (note 16)	(138)	100	776	–	738
Exchange adjustment	–	65	867	–	932
At 31 December 2012	2,536	55,433	49,146	419	107,534
Depreciation and depletion:					
At 1 January 2012	–	8,472	11,852	67	20,391
Charge for the year (note 7)	–	1,774	3,560	26	5,360
On sale of assets	–	–	(4)	–	(4)
Exchange adjustment	–	55	237	–	292
At 31 December 2012	–	10,301	15,645	93	26,039
Impairment:					
At 1 January 2012	–	–	1,158	–	1,158
Impairment during the year (note 8)	–	–	453	–	453
Exchange adjustment	–	–	22	–	22
At 31 December 2012	–	–	1,633	–	1,633
Net carrying amount:					
At 31 December 2012	2,536	45,132	31,868	326	79,862

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13 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Capital work in progress additions include capitalised borrowing costs of AED 89 million (2012: AED 46 million).

(i) During the year ended 31 December 2013, TAQA North sold various non-core assets for proceeds of AED 317 million. The gain on sale of assets of AED 101 million included goodwill written off of AED 21 million (note 16).

(ii) During the year ended 31 December 2012, TAQA North sold various non-core land assets located in the United States and Canada for proceeds of AED 1,810 million. The gain on sale of assets of AED 380 million included goodwill written off of AED 11 million.

Property, plant and equipment with a carrying amount of AED 44,185 million (2012: AED 45,463 million) are pledged as security for the related loans.

14 OPERATING FINANCIAL ASSETS

	2013 AED million	2012 AED million
The movement in operating financial assets is as follows:		
At 1 January	8,180	4,780
Transferred from receivables	339	–
Recognised during the year (note 5.2)	2,649	4,288
Consideration received during the year	(928)	(838)
Exchange adjustment	79	(50)
At 31 December	10,319	8,180
Analysed in the consolidated statement of financial position as follows:		
Non current portion	9,977	7,787
Current portion	342	393
	10,319	8,180

TAQA manages three concession contracts as defined by IFRIC 12, mainly covering electricity generation. The foreign subsidiaries, namely Jorf Lasfar Energy Company SCA (Jorf Lasfar), TAQA Neyveli Power Company Pvt Ltd (Neyveli) and Takoradi International Company (Takoradi), have entered into power purchase agreements (PPA) with offtakers in the countries where they are operating. Under the PPA the foreign subsidiaries undertake to make available, and the offtakers undertake to purchase, the available net capacity of the plant for a period of time in accordance with various agreed terms and conditions as specified in the PPA as follows:

Jorf Lasfar:

The subsidiary has the right of possession for the site and the plant units for a period of 30 years ending in September 2027. After the 30 year period, the ownership of the site and the plants will be transferred to the offtaker.

During 2009, Office National de l'Electricité ("ONE"), Jorf Lasfar Energy Company ("JLEC") and TAQA signed a strategic partnership agreement to extend the capacity of JLEC by two new units of an approximate gross capacity of 350 MW each. As per this agreement, JLEC or an affiliate will build, own, and operate the new units 5 and 6 under a 30-year power purchase agreement with ONE. The EPC contract has been signed which commits the Group to spend approximately AED 3,805 million in the construction of the facilities, out of which AED 3,511 million has been incurred as at 31 December 2013.

Neyveli:

The subsidiary has a 30 year PPA with the offtaker ending in December 2032. On the expiry date of the PPA, the offtaker has the option to acquire the plant at a price equal to 50% of the terminal value as defined in the PPA.

Takoradi:

The subsidiary has a 25 year PPA with the offtaker ending in March 2024. On expiry date of the PPA, the plant is to be transferred to the offtaker at a nominal amount. During 2012, construction works began in relation to an expansion project at the Takoradi power plant. The expansion project will increase the existing 330 MW capacity to 660 MW. As a result of the expansion the PPA term has been extended to 2039.

Operating financial assets with a carrying amount of AED 10,319 million (2012: AED 8,180 million) are pledged as security for the related borrowings in the subsidiaries.

15 AVAILABLE FOR SALE INVESTMENTS

	2013 AED million	2012 AED million
Unquoted investment in managed fund – outside UAE	583	509
Movement during the year is as follows:		
At 1 January	509	1,122
Additions during the year	12	189
Changes in fair value during the year	62	165
Sold during the year	–	(956)
Transfer to investment in associates	–	(11)
At 31 December	583	509

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16 INTANGIBLE ASSETS

	Exploration and evaluation assets AED million	Tolling agreement AED million	Connection rights AED million	Goodwill AED million	Computer software AED million	Total AED million
2013						
Cost:						
At 1 January 2013	4,048	836	1,388	9,983	173	16,428
Additions	690	–	–	12	31	733
Sale of assets	(6)	–	–	(21)	–	(27)
Goodwill arising on business combinations (note 3)	–	–	–	119	–	119
Transfers to receivables	(7)	–	–	–	–	(7)
Transfers to oil and gas assets (note 13)	(72)	–	–	–	–	(72)
Dry hole expenses written off	(348)	–	–	–	–	(348)
Derecognised during the year (note 6)	(45)	–	–	–	–	(45)
Exchange adjustment	(88)	–	–	(366)	(1)	(455)
At 31 December 2013	4,172	836	1,388	9,727	203	16,326
Amortisation:						
At 1 January 2013	–	243	266	–	85	594
Amortisation for the year (note 7)	–	61	38	–	47	146
At 31 December 2013	–	304	304	–	132	740
Impairment:						
Impairment charge during the year (note 8)	–	–	–	1,598	–	1,598
At 31 December 2013	–	–	–	1,598	–	1,598
Net book value before fair value adjustment:						
At 31 December 2013	4,172	532	1,084	8,129	71	13,988
Fair value adjustment on effective fair value hedges (note 41.2 vii)	–	286	–	–	–	286
Net book value after fair value adjustment:						
At 31 December 2013	4,172	818	1,084	8,129	71	14,274
2012						
Cost:						
At 1 January 2012	1,203	836	1,388	9,800	124	13,351
Additions	3,693	–	–	–	49	3,742
Sale of assets	–	–	–	(11)	–	(11)
Transfers to oil and gas assets (note 13)	(738)	–	–	–	–	(738)
Dry hole expenses written off	(144)	–	–	–	–	(144)
Exchange adjustment	34	–	–	194	–	228
At 31 December 2012	4,048	836	1,388	9,983	173	16,428
Amortisation:						
At 1 January 2012	–	182	228	–	44	454
Amortisation for the year (note 7)	–	61	38	–	41	140
At 31 December 2012	–	243	266	–	85	594
Net book value before fair value adjustment:						
At 31 December 2012	4,048	593	1,122	9,983	88	15,834
Fair value adjustment on effective fair value hedges (note 41.2 vii)	–	405	–	–	–	405
Net book value after fair value adjustment:						
At 31 December 2012	4,048	998	1,122	9,983	88	16,239

Exploration and evaluation assets

On 12 March 2013, the Kurdistan Regional Government exercised its option of Government Participation in the Atrush block which could potentially reduce TAQA's interest in the block from 53.2% to a minimum of 39.9%. The mechanism by which this will be achieved is still currently being negotiated including the settlement of outstanding petroleum costs owed to the contractors by the Government for its participating interest share. A transfer of AED 7 million has been made from the exploration and evaluation assets held to a receivables account for reimbursement of petroleum costs. The transaction is expected to be finalised during 2014.

Tolling Agreement

As part of the acquisition of BE Red Oak Holding LLC on 31 December 2008, the Group acquired a fuel conversion services, capacity and ancillary services purchase agreement ("Tolling Agreement") for an amount of AED 836 million (US \$227.5 million). Under the terms of the Tolling Agreement, the Group is entitled to the economic rights (revenue from sale of electricity, capacity payments and any other ancillary services) of a power plant located in New Jersey, USA and the Group is obligated to supply the fuel and also make certain fixed and variable payments to the operator.

Connection rights

The intangible assets arose from the transfer, made by the Company's subsidiaries Emirates CMS Power Company, Shuweihat CMS International Power Company, Arabian Power Company and Taweelah Asia Power Company during the years ended 31 December 2002, 2005, 2006 and 2008 respectively, of certain assets to a related party in accordance with the terms of individual agreements and represent the acquisition cost of the right of connection to the transmission systems at the connection sites for a period of 38, 33, 37 and 40 years respectively. The connection rights cost are being amortised on a straight line basis over 38, 33, 37 and 40 years respectively, being the expected period of benefit.

17 IMPAIRMENT TESTING OF GOODWILL

The Group performs goodwill impairment testing on an annual basis, at the reporting date, and when there are indicators of impairment. Goodwill is allocated to two groups of cash-generating units (CGUs), which are also reportable operating segments, as follows:

- Oil and gas assets
- Power and water assets

As explained in note 4, changes to the Group's management reporting in 2013 resulted in the Group revising the composition of its operating segments. This change had a consequential impact on the allocation of goodwill for impairment testing purposes, as the lowest level in which the goodwill is now monitored for internal management purposes is the new operating segment levels.

Carrying amount of goodwill is allocated to each of the operating segments as follows:

	Oil and gas		Power and water		Total	
	2013	2012	2013	2012	2013	2012
	AED million	AED million	AED million	AED million	AED million	AED million
Carrying amount	8,027	9,893	102	90	8,129	9,983

OIL AND GAS ASSETS

The recoverable amount for oil and gas assets is based on fair value less costs of disposal ('FVLCD'). In determining FVLCD, an appropriate discounted cash flow valuation model is used, incorporating market based assumptions. The key assumptions for the oil and gas asset FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. The valuation models are life of asset models and therefore no extrapolation assumptions have been necessary or applied. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. As a result of the impairment analysis, management has recognised an impairment charge of AED 1,598 million relating to the goodwill allocated to the oil and gas assets.

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17 IMPAIRMENT TESTING OF GOODWILL CONTINUED

OIL AND GAS ASSETS CONTINUED

The calculation of FVLCD for oil and gas assets is based upon the following key assumptions:

- Reserve and resource volumes;
- Inflation rates;
- Commodity prices;
- Contingent resources valuation;
- Cash flows relating to gas storage;
- Foreign exchange rates; and
- Discount rates

Reserve and resource volumes

Reserve and resource volumes form the basis of the production profiles within the discounted cash flow models. Management engage external reserve auditors to review the Group's internal estimates of volume, and where appropriate value, of proved, probable and possible reserves in each field and location based upon geological data and analysis. Where significant, the contingent resources within a segment are also reviewed and reported on. The data generated for each field and location takes into consideration the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available.

Commodity prices

Commodity prices follow a market view for the first five years (based on the forward curve) and inflating thereafter, again in line with the market view.

Contingent resources valuation

Contingent resources are valued internally and calibrated for reasonability with reference to any precedent transactions and/ or publicly available comparable market data, using methods consistent with those applied to resource valuations.

Cash flows relating to gas storage

Cash flows relating to gas storage are based on assumptions on delivery capacity, injection capacity, working volumes and expected availability. The assumptions have been approved by management and in most cases validated by third party consultants and are supported by non-binding expressions of interests on demand for working volumes.

Foreign exchange rates

Foreign exchange rates are based on forward average rates for 2014 and thereafter on management's long term rate assumptions. Management's long term assumptions are set with reference to a range of underlying economic indicators.

Discount rates

Discount rates used reflect the estimated weighted average cost of capital rates for potential acquirer group companies developed for each of the locations. A post tax discount rate ranging from 7.0% to 7.5% (2012: 7.1% to 7.2%) was used to calculate the FVLCD at the reporting date.

POWER AND WATER ASSETS

The recoverable amount for power and water assets is based on value in use ('VIU'). The Group estimates VIU by using discounted cash flow models. The cash flow models are typically life of facility (which significantly exceeds five years in most cases) and therefore no growth rate extrapolation assumptions have been necessary or applied. Management believes it is appropriate to use cash flow forecasts over such periods due to the long term power and water purchase agreements associated with the facilities. The future cash flows are discounted using a pre-tax rate ranging from 9% to 12% (2012: 9% to 12%).

The calculation of VIU for power and water generation assets is most sensitive to the following assumptions:

- Inflation rates;
- Discount rates.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated. Forecast figures are used if data is publicly available.

Discount rates

Discount rates used represent the current market assessment of the risks specific to the assets, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Sensitivity to changes in assumptions

The impairment tests are particularly sensitive to commodity prices, foreign exchange rates and discount rates. The changes in the following table to assumptions used in the impairment review would, in isolation, lead to an (increase)/decrease to the aggregate goodwill impairment loss recognised in the year ended 31 December 2013:

	Increase by 5% AED million	Decrease by 5% AED million
Commodity prices	1,598	(2,814)
Foreign exchange rates	1,598	(2,057)
Discount rates	(1,070)	1,152

18 INVESTMENT IN ASSOCIATES

The Group has the following investments in associates:

	Country of incorporation and operation	Ownership	
		2013	2012
Al Wathba Company for Central Services PJSC	UAE	49.0%	49.0%
Jubail Energy Company	Saudi Arabia	25.0%	25.0%
Sohar Aluminium Company LLC	Oman	40.0%	40.0%
Watania	U.A.E	6.7%	6.7%

The reporting dates for the associates are identical to TAQA.

- (i) Al Wathba Company for Central Services PJSC is mainly involved in the leasing and management of vehicles and equipment.
- (ii) Jubail Energy Company ("Jubail") is involved in the generation of electricity.
- (iii) Sohar Aluminium Company LLC ("Sohar") is involved in the construction, ownership and operation of an aluminium smelter and an associated combined cycle power plant.
- (iv) National Takaful Company ("Watania") is primarily engaged in writing of takaful insurance, in accordance with Islamic Shari'a principles in addition to other activities considered appropriate to meet its objective.

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18 INVESTMENT IN ASSOCIATES CONTINUED

The following table analyses the carrying amount and share of profit and other comprehensive income of TAQA's associates.

	2013 AED million	2012 AED million
Carrying amount of investments	592	433
Group's share of the associates':		
Profit for the year	128	157
Other comprehensive income	(47)	(14)
TOTAL COMPREHENSIVE INCOME	81	143

Share of associates' hedging commitments at the reporting date is as follows:

Associate	Share of associates' notional amount		Share of associates' derivative liabilities		Fixed leg on instrument 2013	Fixed leg on instrument 2012
	2013 AED million	2012 AED million	2013 AED million	2012 AED million		
Sohar (note a)	829	880	84	127	4.74% to 4.88%	4.74% to 4.88%
Jubail (note b)	64	75	6	10	4.57%	4.57%
			90	137		

- a) In order for Sohar to reduce its exposure to interest rates fluctuations on loans from banks, the associate has entered into an interest rate arrangement with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans. The derivative instruments are entered into for the purpose of a cash flow hedge.
- b) In order for Jubail to reduce its exposure to interest rates fluctuations on loans from banks, the Company's associate has entered into an interest rate arrangement with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the loans.

19 INVESTMENT IN JOINT VENTURE

The Group has the following investments in joint ventures:

	Principal activity	Country of incorporation and operation	Ownership	
			2013	2012
NoordGasTransport BV	Midstream operations	Netherlands	–	40.0%
LWP Lessee, LLC	Wind Power	U.S.A	50.0%	–

The Group's joint ventures are accounted for using the equity method and the reporting dates of the joint ventures are identical to TAQA. The following table analyses the carrying amount and share of profit of the Group's joint ventures.

	2013 AED million	2012 AED million
Carrying amount of investment in joint ventures	144	723
Share of joint ventures' profit for the year	105	103

(i) On 9 July 2013, TAQA US Lakefield Holdings, LLC, a wholly owned subsidiary of TAQA North, acquired a 50% interest in LWP Lessee, LLC from a subsidiary of France-based utility Electricite de France SA (EDF). LWP Lessee, LLC is the lessee of a 205.5 MW wind project located in Midwestern United States. Marubeni Corporation holds the remaining 50% interest. The acquisition has been accounted for as a joint venture as both TAQA and Marubeni Corporation jointly control the investment and have equal rights to the net assets. The fair value of TAQA's share of the identifiable assets and liabilities of LWP Lessee, LLC at the acquisition date based on the purchase price allocation was:

	AED million
Current assets	37
Non-current assets	109
Current liabilities	(1)
NET ASSETS	145
Fair value of net assets in excess of consideration	(20)
COST OF INVESTMENT	125

The excess of the fair value of the net assets over the cost of the investment has been included as income in the determination of the share of the joint venture's results during the year.

(ii) On 30 December 2013, the Group disposed of its 50% interest in Noordgastransport B.V. for a total consideration of AED 814 million (EUR 161 million) realising a gain of AED 123 million. The disposal also resulted in a transfer of AED 69 million from the foreign currency translation reserve, resulting in a net gain of AED 54 million recognised in the consolidated income statement. Prior to the disposal, the Group received a dividend of AED 61 million from Noordgas transport B.V. This was recognised within other investment income in the consolidated income statement as equity accounting ceased in September 2013, when the investment was classified as held for sale.

20 ADVANCE AND LOANS TO ASSOCIATES

	2013 AED million	2012 AED million
Mezzanine loan – non-current	398	398
Advance – current	570	680
Others – current	13	17
	981	1,095

The balances above mainly arise from the loans and advances made to Sohar Aluminium Company LLC in previous years. The advance is repayable on demand and has therefore been classified as a current asset in the consolidated statement of financial position. An amount of AED 110 million was repaid, in relation to the advance, during the year. The mezzanine loan is interest bearing at a rate equal to the lowest rate of interest payable on Sohar's Senior Debt less a discount of 5bp, as approved by its shareholders.

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21 OTHER ASSETS

	2013 AED million	2012 AED million
Deferred expenditure	165	206
Receivable from offtaker pending project financial closing date	–	431
Initial spares fee (note (i))	43	55
Derivative in effective hedges - interest rate swaps (note 41.1)	115	–
Derivatives in effective hedges - forward foreign exchange contracts (note 41.1)	80	80
Others	77	124
	480	896

(i) Initial spares fee:

Cost:		
Balance at 1 January and 31 December	146	146
Amortisation:		
At 1 January	(91)	(79)
Charge for the year (note 7)	(12)	(12)
At 31 December	(103)	(91)
Net carrying amount at 31 December	43	55

22 INVENTORIES

	2013 AED million	2012 AED million
Fuel and crude oil	1,637	1,939
Spare parts and consumables	1,275	1,110
	2,912	3,049
Provision for slow moving and obsolete items	(180)	(139)
	2,732	2,910

The cost of inventories recognised as an expense in the consolidated income statement is AED 3,276 million (2012: AED 3,581 million).

Inventories with a carrying amount of AED 2,584 million (2012: AED 2,614 million) are pledged as security for loans of the UAE domestic subsidiaries and certain foreign subsidiaries in the power business.

23 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 AED million	2012 AED million
Trade receivables (note (i))	1,096	1,096
Advances for acquisition	–	2,474
Amounts due from related parties (note (ii))	1,161	1,196
Accrued revenue	1,148	1,102
Liquidated damages receivable from contractor	–	422
Advances to O&M contractors	527	50
Crude stock underlift	343	53
Deposits	71	22
Advances to suppliers	23	16
Prepaid insurance	17	55
Income tax	244	205
Derivatives in effective hedges – forward foreign exchange contracts (note 41.1)	20	14
Derivatives in effective hedges – interest rate swaps (note 41.1)	41	–
Derivatives in effective hedges – futures and forward contracts (note 41.1)	225	265
Other receivables	716	827
	5,632	7,797

(i) Trade receivables

As at 31 December 2013, trade receivables at nominal value of AED 17 million (2012: AED 49 million) were impaired and fully provided for. Trade receivables are non-interest bearing and are recoverable within 30 – 90 working days. Movements in the provision for impairment of receivables are as follows:

	2013 AED million	2012 AED million
At 1 January	49	47
Provision movement	(32)	2
At 31 December	17	49

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total AED million	Neither past due nor impaired AED million	Past due but not impaired				
			< 30 days AED million	30 – 60 days AED million	60 – 90 days AED million	90 – 120 days AED million	>120 days AED million
2013	1,096	212	432	317	–	1	134
2012	1,096	228	251	306	64	56	191

Subsequent to the reporting date, the Group collected AED 13 million of balances past due for more than 120 days.

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31 DECEMBER 2013

23 ACCOUNTS RECEIVABLE AND PREPAYMENTS CONTINUED

(ii) Amounts due from related parties

	2013 AED million	2012 AED million
Abu Dhabi Water and Electricity Company (ADWEC)	1,158	1,192
Others	3	4
	1,161	1,196

The amounts due from ADWEC, a fellow subsidiary of ADWEA, in respect of available capacity and supply of water and electricity, are payable within 30 – 90 working days.

As at 31 December 2013, amounts due from related parties at nominal value of AED 14 million (2012: AED 13 million) were impaired and fully provided for. Movements in the provision for impairment receivable from related parties are as follows:

	2013 AED million	2012 AED million
At 1 January	13	17
Charge for the year	1	5
Reversal of provision	–	(9)
At 31 December	14	13

As at 31 December, the ageing analysis of receivable from related parties is as follows:

	Total AED million	Neither past due nor impaired AED million	Past due but not impaired				
			< 30 days AED million	30 – 60 days AED million	60 – 90 days AED million	90 – 120 days AED million	>120 days AED million
2013	1,161	806	–	333	–	–	22
2012	1,196	926	259	–	–	6	5

Trade receivables and amounts due from related parties net of provisions are expected, on the basis of past experience, to be fully recoverable.

24 CASH AND CASH EQUIVALENTS

	2013 AED million	2012 AED million
Cash at banks and on hand	3,870	2,407
Short term deposits	170	1,533
Restricted cash	–	6
Bank overdrafts	4,040 (94)	3,946 (139)
	3,946	3,807

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Bank overdrafts carry interest at floating rates and are secured by guarantees from certain shareholders of the subsidiaries.

At 31 December 2013, the Group had available AED 10,960 million (2012: AED 20,270 million) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

25 SHARE CAPITAL

(i) Issued capital

	2013 AED million	2012 AED million
Ordinary shares of AED 1 each	6,225	6,225

(ii) Treasury shares

	2013 Shares in thousands	AED million	2012 Shares in thousands	AED million
At 1 January and 31 December	158,713	293	158,713	293

(iii) Contributed capital

	2013 AED million	2012 AED million
Balance at 1 January	325	341
Transfer to retained earnings	–	(16)
Balance at 31 December	325	325

The transfer to retained earnings in 2012 was in relation to an equity contribution recognised in 2010 for the difference between a loan amount received from ADWEA and its fair value. The loan was fully repaid during 2012 with the related equity contribution being recycled to retained earnings.

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26 RESERVES

26.1 OTHER RESERVES

	Statutory reserve AED million	Legal reserve AED million	General reserve AED million	Total AED million
Balance at 1 January 2012	2,748	550	750	4,048
Transfers during the year	64	76	–	140
Balance at 31 December 2012	2,812	626	750	4,188
Transfers during the year	–	102	–	102
Balance at 31 December 2013	2,812	728	750	4,290

Statutory reserve

As required by the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company and its subsidiaries, 10% of the consolidated profit for the year is transferred to the statutory reserve. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

Legal reserve – subsidiaries

In accordance with the Articles of Association of certain domestic subsidiaries, 10% of the profit for the year is transferred to a legal reserve. The subsidiaries may resolve to discontinue such annual transfers when the reserve totals 50% of their share capital or in accordance with a resolution taken to this effect by the shareholders at the Annual General Meeting upon the recommendation of the Board of Directors of these subsidiaries. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders of the subsidiaries.

General reserve

The Group has established a general reserve to enhance the capital base of the Company. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders of the Company.

26.2 RETAINED EARNINGS

Adjustment on repayment of interest free loan by partially owned subsidiary

During 2009, TAQA's partially owned subsidiary RPC was granted a sub-ordinated loan amounting to AED 125 million. The loan was interest free and unsecured and due for repayment in full at the earlier of refinancing and August 2031. On inception, the Company's management measured the loan at its fair value of AED 27 million. During August 2013, RPC refinanced and paid off the shareholder loan. At the time of repayment, the shareholder loan had a carrying value of AED 36 million. This transaction resulted in an increase to the Group's retained earnings of AED 35 million which was adjusted against the non-controlling interests.

Changes in ownership interest of subsidiaries

During December 2013, Jorf Lasfar Energy Company, S.A, a 100% subsidiary of TAQA, issued new shares through a private placement by Moroccan institutional investors and an initial public offering on the Casablanca Stock Exchange. Following the share issuance, the Group still controls Jorf Lasfar Energy Company, S.A and retains 85.79% of the ownership interests. The transaction has been accounted for as an equity transaction with non-controlling interests, resulting in the following:

	AED million
Proceeds from sale of 14.21% ownership interest	673
Net assets attributable to non-controlling interest	(469)
Increase in equity attributable to parent	204
Represented by:	
Increase in retained earnings	204

Directly attributable transaction costs of AED 15 million have been allocated to the non-controlling interest.

26.3 FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

27 DIVIDENDS PAID AND PROPOSED

Dividend on ordinary shares paid during the year amounted to AED 607 million (2012: AED 607 million). No cash dividend is proposed in respect of 2013.

28 NON-CONTROLLING INTERESTS

	2013 AED million	2012 AED million
Relating to Abu Dhabi Water and Electricity Authority (ADWEA)	299	248
Relating to non-controlling interest shareholdings in subsidiaries	3,296	1,439
	3,595	1,687

ADWEA is treated as a non-controlling interest in these consolidated financial statements due to its 10% equity interest in eight domestic subsidiaries of TAQA (refer to note 40 for details).

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

	Country of incorporation and operation	Proportion of equity interests held by non-controlling interests	2013	2012
Gulf Total Tractebel Power Company PJSC	UAE	46.0%	46.0%	46.0%
Arabian Power Company PJSC	UAE	46.0%	46.0%	46.0%
Shuweihat CMS International Power Company PJSC	UAE	46.0%	46.0%	46.0%
Taweelah Asia Power Company PJSC	UAE	46.0%	46.0%	46.0%
Emirates SembCorp Water and Power Company PJSC	UAE	46.0%	46.0%	46.0%
Fujairah Asia Power Company PJSC	UAE	46.0%	46.0%	46.0%
Ruwais Power Company PJSC	UAE	46.0%	46.0%	46.0%
Emirates CMS Power Company PJSC	UAE	46.0%	46.0%	46.0%

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28 NON-CONTROLLING INTERESTS CONTINUED

All of the Group's subsidiaries that have material non-controlling interest are similar in nature. Therefore the following disclosures have been provided on an aggregated basis:

	2013 AED million	2012 AED million
Revenue	7,007	7,000
Profit	1,561	1,476
Other comprehensive income	3,129	208
TOTAL COMPREHENSIVE INCOME	4,690	1,684
Profit allocated to non-controlling interests	718	679
Other comprehensive allocated to non-controlling interests	1,439	96
Non-current assets	45,757	46,593
Current assets	5,558	5,373
Non-current liabilities	(39,099)	(42,263)
Current liabilities	(4,172)	(4,388)
TOTAL EQUITY	8,044	5,315
Equity attributable to parent	4,344	2,870
Equity attributable to non-controlling interests	3,700	2,445
	8,044	5,315
Cash flows from operating activities	5,367	5,445
Cash flows from investing activities	(1,000)	(286)
Cash flows from financing activities	(4,444)	(5,042)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(77)	117
DIVIDENDS PAID TO NON-CONTROLLING INTERESTS	414	446

29 LOANS FROM NON-CONTROLLING INTEREST SHAREHOLDERS IN SUBSIDIARIES

	2013 AED million	2012 AED million
S2 Offshore Holding Company	266	432
Fujairah F2 CV	210	263
Asia Gulf Power Holding	134	210
Shuweiha Limited Partnership	32	55
Total Tractebel Emirates Power Company	—	19
	642	979

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of the subsidiaries. Accordingly they have been treated as equity.

30 LOAN FROM ABU DHABI WATER AND ELECTRICITY AUTHORITY (ADWEA)

Movement in the loan balance during the year is as follows:

	2013 AED million	2012 AED million
At 1 January	2,655	2,675
Received during the year	5	–
Repaid during the year	(36)	(20)
At 31 December	2,624	2,655

The above loans are interest free, with no repayment terms and are unsecured and are subject to terms of repayment as resolved by the Board of Directors of TAQA. Accordingly they have been treated as equity.

31 INTEREST BEARING LOANS AND BORROWINGS

	2013 AED million	2012 AED million
Revolving credit facilities (note i)	6,156	2,604
Abu Dhabi National Energy Company Global Medium Term notes (note ii)	22,646	26,293
Abu Dhabi National Energy Company bonds (note iii)	6,974	10,596
Ruwais Power Company bond (note iv)	2,948	–
Term loans (note v)	38,606	37,559
	77,330	77,052
Disclosed in the consolidated statement of financial position as follows:		
Non-current liabilities	71,058	67,993
Current liabilities	6,272	9,059
	77,330	77,052

The Group's interest bearing loans and borrowings (before deducting prepaid finance costs) are repayable as follows:

Within 1 year	10,517	9,089
Between 1 – 2 years	1,926	8,892
Between 2 – 3 years	7,603	1,880
Between 3 – 4 years	6,712	5,632
Between 4 – 5 years	6,840	6,689
After 5 years	44,437	45,502
	78,035	77,684

(i) Revolving credit facilities

Non-current liabilities

CAD 1.0 billion facility, net of transaction costs (note a)	1,945	2,604
US\$ 3.5 billion facility, net of transaction costs (note b)	4,211	–
	6,156	2,604

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31 INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(i) Revolving credit facilities continued

- a) TAQA North is the borrower of a CAD 1.0 billion 3 year revolving facility with TAQA providing a parent guarantee. At 31 December 2013, an amount of CAD 0.6 billion (AED 1.9 billion) (2012: CAD 0.7 billion, AED 2.6 billion) was outstanding under this credit facility.
- b) On 13 December 2012, TAQA refinanced Tranche "A" of its revolver facility with a US\$ 2.5 billion dual tranche, multicurrency revolver facility with a syndicate of 26 banks. Amounts borrowed under Tranche "B" (US\$ 1 billion 5 year facility) carry interest of LIBOR or EIBOR plus a margin. Amounts borrowed under new Tranche "A" facility carry interest of LIBOR plus a margin. At 31 December 2013, amounts of US\$ 577 million and EUR 414 million (AED 4.2 billion) (2012: nil) were drawn under these facilities.

(ii) Abu Dhabi National Energy Company Global Medium Term Notes

Abu Dhabi National Energy Company global medium term notes are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligations of TAQA. The following table summarises the terms of the notes payable:

	Issue rate %	Effective interest rate %	Repayment date	2013 AED million	2012 AED million
Current liabilities					
US \$1,000,000,000, net of discount and transaction costs	99.94%	6.64%	August 2013	–	3,672
US \$1,200,000,000, net of discount and transaction costs	99.45%	4.92%	September 2014	4,400	–
TOTAL CURRENT				4,400	3,672
Non-current liabilities					
US \$1,200,000,000, net of discount and transaction costs	99.45%	4.92%	September 2014	–	4,393
US \$500,000,000, net of transaction costs	100%	6.18%	October 2017	1,836	1,836
US \$500,000,000, net of discount and transaction costs	99.85%	7.29%	August 2018	1,834	1,833
US \$500,000,000, net of discount and transaction costs	99.20%	6.40%	September 2019	1,823	1,821
US \$750,000,000, net of discount and transaction costs	99.50%	4.34%	March 2017	2,739	2,734
US \$750,000,000, net of discount and transaction costs	99.48%	2.50%	January 2018	2,733	2,729
US \$750,000,000, net of discount and transaction costs	99.52%	6.00%	December 2021	2,734	2,731
US \$1,250,000,000, net of discount and transaction costs	99.40%	3.63%	January 2023	4,547	4,544
TOTAL NON-CURRENT				18,246	22,621
TOTAL				22,646	26,293

The notes liability is stated net of discount and transaction costs incurred in connection with the notes arrangements, amounting to AED 127 million as of 31 December 2013 (2012: AED 153 million), which are amortised to the consolidated income statement over the repayment period of the notes using the effective interest rate method. Interest on the US dollar notes is payable semi-annually. Accrued interest is included under accruals and other liabilities.

(iii) Abu Dhabi National Energy Company Bonds

In 2006, TAQA issued long term fixed interest rate bonds at a discount. The bonds are recorded at amortised cost using effective interest rates and are direct, unconditional, and unsecured obligation of the Company. The following table summarises the terms of the bond payable:

	Issue rate%	Effective interest rate %	Repayment date	2013 AED million	2012 AED million
Current liabilities					
Euro 750,000,000, net of discount and transaction costs	99.357%	4.53%	October 2013	–	3,627
Non-current liabilities					
US \$1,000,000,000, net of discount and transaction costs	99.485%	5.98%	October 2016	3,662	3,658
US \$1,500,000,000, net of discount and transaction costs	99.049%	6.6%	October 2036	3,312	3,311
TOTAL NON-CURRENT				6,974	6,969
TOTAL				6,974	10,596

The bonds liability is stated net of discount and transaction costs incurred in connection with the bond arrangements, amounting to AED 51 million as of 31 December 2013 (2012: AED 61 million), which are amortised in the consolidated income statement over the repayment period of the bond using the effective interest rate method. In accordance with the repayment terms, TAQA repaid the Euro 750 million bond during 2013.

Interest on the US dollar bonds is payable semi-annually. Accrued interest is included under accruals and other liabilities.

(iv) Ruwais Power Company Bond

During 2013, Ruwais Power Company, a subsidiary of the Group, issued a long term fixed interest rate bond of US\$ 825 million (AED 3,030 million). The bond is recorded at amortised cost using the effective interest rate and is secured by a number of security documents including the subsidiary's contractual rights, cash deposits, other assets and guarantees. The bond carries a coupon of 6% with maturity in August 2036.

	Issue rate%	Effective interest rate %	Repayment date	2013 AED million	2012 AED million
Non-current liability					
US\$ 825,000,000 bond net of discount and transaction costs	6.0%	6.22%	August 2036	2,948	–

The bond liability is stated net of transaction costs incurred in connection with the bond arrangement, amounting to AED 82 million as of 31 December 2013 (2012: nil), which are amortised in the consolidated income statement over the repayment period of the bond using the effective interest rate method. Interest on the bonds is payable semi-annually.

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31 INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(v) Term loans

Term loans which are shown at amortised cost are in respect of the following subsidiaries:

	2013 AED million	2012 AED million
Emirates CMS Power Company PJSC	703	796
Gulf Total Tractebel Power Company PJSC	3,525	3,645
Shuweihat CMS Power Company PJSC	2,272	2,474
Arabian Power Company PJSC	2,342	2,507
Taweelah Asia Power Company PJSC	5,989	6,339
Emirates SembCorp Water and Power Company PJSC	3,913	4,071
Fujairah Asia Power Company PJSC	7,381	7,599
Ruwais Power Company PJSC	5,098	7,128
Jorf Lasfar Energy Company S.A.	2,352	2,443
Jorf Lasfar Energy Company 5&6 S.A.	3,679	–
TAQA Neyveli Power Company Private Limited	70	142
Himachal Sorang Power Limited	361	415
Takoradi International Company	921	–
	38,606	37,559

Details of term loans by subsidiaries are as follows:

EMIRATES CMS POWER COMPANY PJSC (ECPC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan (1)	LIBOR + (1.15% – 1.30%)	2014	95	85
Term loan (2)	LIBOR + 1.00%	2014	–	8
			95	93
NON-CURRENT				
Term loan (1)	LIBOR + 1.30%	2015 – 2020	608	703
TOTAL			703	796

The term loan facility (1) is repayable in half yearly instalments until June 2020 in accordance with an agreed upon instalment schedule. Term loan (1) is secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of ECPC, a pledge of shares in the company by both shareholders and a pledge of equity interest in Taweelah Shared Facilities Company LLC. Term loan (1) is also subject to various covenants as stipulated in the loan facility agreement. Term loan (1) is stated net of prepaid finance cost of AED 13 million (2012: AED 15 million).

During 2008, ECPC obtained loan facilities from a local bank (term loan facility (2)) to finance the construction of a heat recovery plant. Term loan (2) was repayable from June 2009 in accordance with an agreed upon repayment schedule, with the last repayment made on 31 December 2013.

Under the terms of its loan facility agreement, ECPC is required to enter into interest rate swap agreements to mitigate its interest rate exposure (note 41).

GULF TOTAL TRACTEBEL POWER COMPANY PJSC (GTTPC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	LIBOR + 0.5%	2014	139	120
NON-CURRENT				
Term loan	LIBOR + (0.5% – 0.95%)	2015 – 2029	3,386	3,525
TOTAL			3,525	3,645

The term loan is secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of GTTPC, a pledge of shares in the company by both shareholders and a pledge of equity interest in Taweelah Shared Facilities Company LLC. The term loan is also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its Facility Agreement, GTTPC is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

The term loan above is stated net of prepaid finance cost of AED 22 million (2012: AED 24 million).

SHUWEIHAT CMS POWER COMPANY PJSC (SCIPCO):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	LIBOR + 1.40%	2014	218	201
NON-CURRENT				
Term loan	LIBOR + 1.40%	2015 – 2021	2,054	2,273
TOTAL			2,272	2,474

The amount of the conventional term loan facility is US \$1,035 million (AED 3,802 million) and is repayable in 35 semi-annual instalments starting from December 2004 in accordance with an agreed upon instalment schedule.

The term loan is secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of SCIPCO. The term loan is also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its loan facility agreement, SCIPCO is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

The term loan is stated net of prepaid finance costs of AED 19 million (2012: AED 23 million).

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31 DECEMBER 2013

31 INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(v) Term loans continued

ARABIAN POWER COMPANY PJSC (APC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	LIBOR + (1.15% – 1.30%)	2014	177	165
NON-CURRENT				
Term loan	LIBOR + (1.30% – 1.65%)	2015 – 2023	2,165	2,342
TOTAL			2,342	2,507

During 2003, APC obtained loan facilities from a syndicate of banks to finance the acquisition, refurbishment and extension of the UAN power and desalination plant.

The term loan facility is US \$855 million (AED 3,140 million) and was fully drawn at 31 December 2008. The term loan facility is repayable from January 2009 in accordance with an agreed upon repayment schedule with the last repayment due on 21 January 2023.

The loan is secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of APC and a pledge of the shares in the company by both shareholders. The loan is also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its loan facility agreement, APC is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

The term loan is stated net of prepaid finance costs of AED 22 million (2012: AED 24 million).

TAWEELAH ASIA POWER COMPANY PJSC (TAPCO):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan (1)	LIBOR + 0.65%	2014	159	150
Term loan (2)	LIBOR + 0.825%	2014	210	199
			369	349
NON-CURRENT				
Term loan (1)	LIBOR + 0.65%	2015 – 2025	2,420	2,579
Term loan (2)	LIBOR + 0.825%	2015 – 2025	3,200	3,411
			5,620	5,990
TOTAL			5,989	6,339

During 2005, TAPCO obtained loan facilities from a syndicate of banks to finance the acquisition, refurbishment and extension of the Taweelah B power and water desalination plant.

The term loan facility (1) amounting to US \$ 911 million (AED 3,346 million) was fully drawn during 2008. Term loan facility (1) is stated net of prepaid finance cost of AED 32 million (2012: AED 35 million). The term loan facility (2) amounting to US \$1,200 million (AED 4,407 million) was fully drawn during 2008. Term loan facility (2) is stated net of prepaid finance cost of AED 28 million (2012: AED 30 million).

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of TAPCO and a pledge of shares in the company by both shareholders. The loans are also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its loan facility agreement, TAPCO is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

EMIRATES SEMBCORP WATER AND POWER COMPANY PJSC (ESWPC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	LIBOR + 0.65%	2014	155	158
NON-CURRENT				
Term loan	LIBOR + 0.65%	2015–2029	3,758	3,913
TOTAL			3,913	4,071

During 2006, ESWPC obtained loan facilities from a syndicate of banks to finance the acquisition and extension of the Fujairah Power and Desalination Plant.

The amount of the term loan facility is US \$1,270 million (AED 4,667 million). The term loan is repayable from February 2010 in accordance with an agreed upon repayment schedule with the last repayment on 31 January 2029. The term loan is stated net of prepaid finance costs of AED 31 million (2012: AED 33 million).

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of the ESWPC and a pledge of shares in the company by both shareholders. The loans are also subject to various covenants as stipulated in the loan facility agreements.

Under the terms of its loan facility agreement, ESWPC is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

FUJAIRAH ASIA POWER COMPANY PJSC (FAPCO):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan (1)	LIBOR + 0.65%	2014	100	88
Term loan (2)	LIBOR + 0.50%	2014	149	132
			249	220
NON-CURRENT				
Term loan (1)	LIBOR + 0.65%	2015–2030	2,851	2,949
Term loan (2)	LIBOR + 0.50%	2015–2030	4,281	4,430
			7,132	7,379
			7,381	7,599

During 2007, the Company obtained loan facilities from a syndicate of banks (term loan facilities (1) and (2)) to finance the construction of the Fujairah F2 power production and water desalination plant.

The term loan facility (1) is AED 3,144 million was fully drawn down in 2011. The term loan is repayable from 28 January 2011 in accordance with an agreed upon repayment schedule with the last repayment due on 28 July 2030. Term loan (1) is stated net of prepaid finance cost of AED 40 million (2012: AED 42 million).

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31 INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(v) Term loans continued

FUJAIH ASIA POWER COMPANY PJSC (FAPCO): CONTINUED

The term loan facility (2) is AED 4,716 million was fully drawn down in 2011. The term loan is repayable from 28 January 2011, in accordance with an agreed upon repayment schedule, with the last repayment due on 28 July 2030. Term loan (2) is stated net of prepaid finance cost of AED 54 million (2012: AED 57 million).

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of FAPCO. The loans are also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its loan facility agreement, FAPCO is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

RUWAI POWER COMPANY PJSC (RPC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Interest bearing term loans	LIBOR + (1.75 % – 2.5%)	2014	150	198
NON-CURRENT				
Interest bearing term loans	LIBOR + (1.75 % – 2.5%)	2015– 2031	4,948	6,930
			5,098	7,128

During 2009, the Company obtained term loans facility of US \$ 2,025 million with a stand-by facility of US \$ 67 million respectively (AED 7,437 million and AED 246 million), of which US \$ 2,025 million were drawn at 31 December 2011 (AED 7,437 million). The stand-by facility was cancelled in 2012. The loans are repayable starting February 2012 in accordance with and agreed upon repayment schedule with the last repayment on 31 August 2031. Upon issuance of bond of Ruwais Power Company in 2013, RPC repaid AED 1,981 million of the term loans facility and renegotiated certain terms of the loans facility. The term loans are stated net of prepaid finance costs of AED 184 million (2012: AED 135 million).

The loans are secured by a number of security documents including a commercial mortgage over all tangible and intangible assets of RPC. The loans are also subject to various covenants as stipulated in the loan facility agreement.

Under the terms of its loan facility agreement, RPC is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

JORF LASFAR ENERGY COMPANY S.A. (JLEC):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	5.637%	2014	179	173
NON-CURRENT				
Term loan	5.637%	2015–2027	2,173	2,270
TOTAL			2,352	2,443

During the year ended 31 December 2009, TAQA's wholly owned subsidiary JLEC assumed an 18 year loan with a syndicate of banks MAD 7,400 million (AED 3,440 million) with a yearly variable interest rate capped at 6.75%. The principal and interest are to be paid quarterly with the final instalment maturing on 31 March 2027.

At 31 December 2013, MAD 5,243 million (AED 2,350 million) (2012: MAD 5,629 million, AED 2,443 million) was outstanding on this loan. The term loan is secured by a number of security documents including the subsidiary's contractual rights, cash deposits, other assets and guarantees from the Moroccan Government and TAQA.

JORF LASFAR ENERGY COMPANY 5&6 S.A. (JLEC 5&6):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	LIBOR + (3.92% – 7.00%)	2014	72	–
NON-CURRENT				
Term loan	LIBOR + (3.92% – 7.00%)	2015–2028	3,607	–
TOTAL			3,679	–

During the year ended 31 December 2012, JLEC 5&6 secured multi-currency debt facilities totalling approximately US \$1.4 billion equivalent (AED 5.1 billion) with several lenders. These facilities are comprised of a US\$ 216.0 million term facility, Euro term facilities totalling EUR 456.2 million, and Moroccan Dirham facilities totalling MAD 5,450 million. The Moroccan Dirham facilities consist of a MAD 4.5 billion term loan facility, MAD 700 million medium-term VAT facility and MAD 250 million working capital facility that is renewable annually. Interest is payable semi-annually on amounts borrowed under all term loans and the VAT facility, and quarterly under the working capital facility. The US\$ and EUR term loan facilities and the MAD working capital facility carry interest at applicable reference interest rates plus margins. The MAD term loan and VAT facility are fixed rate loans. Loan principal drawn under the term loan facilities is repayable semi-annually according to repayment schedules specified in each loan facility, through the final scheduled repayment date of 31 May 2028.

The loans are secured by a number of security documents including security assignments/pledges over the subsidiary's contractual rights, cash deposits, accounts receivable, and other assets, as well as pledges over the shares of JLEC 5&6 and its offshore shareholder, TAQA Power Ventures B.V. and guarantees from the Moroccan government and TAQA.

At 31 December 2013, US\$ 1,002 million (AED 3,679 million) (2012: nil) was outstanding on this loan.

Under the terms of its loan facility agreement, JLEC 5&6 is required to enter into interest rate swap agreements and foreign exchange swap agreements to hedge its interest cost exposure against fluctuations in interest rates and foreign exchange exposure against fluctuations in foreign exchange rates (note 41).

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31 INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(v) Term loans continued

TAQA NEYVELI POWER COMPANY PRIVATE LIMITED:

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	9.39%	2014	56	63
NON-CURRENT				
Term loan	9.39%	2015	14	79
TOTAL			70	142

The Company's subsidiary TAQA Neyveli Power Company has term loans amounting to AED 70 million as of 31 December 2013 (2012: AED 142 million). An amount of INR 237 million (AED 16 million) is repayable quarterly with the final instalment maturing on 31 March 2015. The loan carries a variable interest rate at a stipulated spread below the respective Prime Lending Rates (PLR) of the lending banks.

The term loan is secured by a number of security documents including a commercial mortgage over all assets of the subsidiary.

HIMACHAL SORANG POWER LIMITED (HSPL):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Term loan	12.73%	2014	13	20
NON-CURRENT				
Term loan	12.73%	2015 – 2025	348	395
TOTAL			361	415

HSPL has term loans amounting to AED 361 million (INR 6,076 million) (2012: AED 415 million, INR 6,229 million) with principal to be repaid quarterly with the final instalment maturing on 1 January 2025.

The term loan is secured by a number of security documents including a first mortgage over all assets of the subsidiary.

TAKORADI INTERNATIONAL COMPANY (TICO):

	Effective interest rate %	Maturity	2013 AED million	2012 AED million
NON-CURRENT				
Term loan	LIBOR + (4.25% – 4.35%)	2015 – 2025	921	–

During the year ended 31 December 2012, TICO secured debt facilities worth US \$330 million (AED 1,211 million). Amounts borrowed under these facilities carry interest of 6 month LIBOR plus of 4.35% for the International Finance Corporation facility and 4.25% for the Development Finance Institution facility. The term loan are secured by a number of security documents including the subsidiary's contractual rights, cash deposits, other assets and guarantees.

Under the terms of its loan facility agreement, TICO is required to enter into interest rate swap agreements to hedge its interest cost exposure against fluctuations in interest rates (note 41).

32 ISLAMIC LOANS

Islamic loans are with respect to the following subsidiaries:

	2013 AED million	2012 AED million
Shuweihat CMS Power Company PJSC	572	622
Emirates CMS Power Company PJSC	273	306
Arabian Power Company PJSC	685	733
Abu Dhabi National Energy Company PJSC	725	774
	2,255	2,435

Disclosed in the consolidated statement of financial position as follows:

Non-current liabilities	2,112	2,304
Current liabilities	143	131
	2,255	2,435

The Group's Islamic loans (before deducting prepaid finance costs) are repayable as follows:

Within 1 year	145	135
Between 1 – 2 years	150	146
Between 2 – 3 years	158	149
Between 3 – 4 years	169	158
Between 4 – 5 years	181	170
After 5 years	1,475	1,707
	2,278	2,465

(i) Shuweihat CMS Power Company PJSC

	Effective rental rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Islamic Ijara loan	LIBOR + 1.40%	2014	54	50
NON-CURRENT				
Islamic Ijara loan	LIBOR + 1.40%	2015 – 2021	518	572
TOTAL			572	622

The Islamic Ijara loan is secured by an assignation of identified parts of the plant and equipment purchased under the Islamic financing arrangement, and is repayable in thirty five semi-annual instalments starting from December 2004.

The Islamic Ijara loan is stated net of prepaid finance costs of AED 9 million (2012: AED 11 million).

Under the terms of its loan facility agreements, the subsidiaries are required to enter into rental rate swap agreements to hedge their rental cost exposure against fluctuations in rental rates (note 41).

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31 DECEMBER 2013

32 ISLAMIC LOANS CONTINUED

(ii) Emirates CMS Power Company PJSC

	Effective rental rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Islamic Ijara loan	LIBOR + (1.15% – 1.30%)	2014	37	33
NON-CURRENT				
Islamic Ijara loan	LIBOR + 1.30%	2015 – 2020	236	273
TOTAL			273	306

The Islamic Ijara loan is secured by an assignment of identified parts of the plant and equipment purchased under the Islamic financing arrangement, and is repayable in thirty three semi annual instalments commencing from 30 June 2004. A fluctuating profit charge is paid under the Islamic financing agreement, which is based on LIBOR plus a margin.

Under the terms of its loan facility agreements, the subsidiaries are required to enter into rental rate swap agreements to hedge their rental cost exposure against fluctuations in rental rates (note 41).

The Islamic Ijara loan is stated net of prepaid finance costs of AED 3 million (2012: AED 5 million).

(iii) Arabian Power Company PJSC

	Effective rental rate %	Maturity	2013 AED million	2012 AED million
CURRENT				
Muqawala	LIBOR + (1.15% – 1.3%)	2014	52	48
NON-CURRENT				
Muqawala	LIBOR + (1.15% – 1.65%)	2015 – 2023	633	685
TOTAL			685	733

The Muqawala loan is in respect of the procurement and manufacturing of certain generation assets under an Islamic loan facility agreement dated 2 July 2003. The facility of US \$250 million (AED 918 million) is repayable in thirty semi annual instalments commencing from January 2009. The Muqawala loan is stated net of prepaid finance costs of AED 6 million (2012: AED 7 million).

Under the terms of its loan facility agreements, the subsidiaries are required to enter into rental rate swap agreements to hedge their rental cost exposure against fluctuations in rental rates (note 41).

(iv) Abu Dhabi National Energy Company PJSC

	Effective rental rate %	Maturity	2013 AED million	2012 AED million
NON-CURRENT				
Islamic Sukuk loan	5.3%	2020	725	774

In November 2011, TAQA established a MYR 3.5 billion (AED 3.7 billion) Sukuk programme. During the year ended 31 December 2012, an amount of MYR 650 million (AED 790 million) was issued under the programme. The Group has entered into a cross currency rate swap arrangement to hedge the Group's exposure against fluctuation in currency rates. The 10 year Sukuk was raised with a profit of 4.65% with a full swapped rate to US Dollars of 5.3% (note 41.1(ii)).

The loan is stated net of discount and transaction costs incurred in connection with the loan arrangements, amounting to AED 5 million, which are amortised to the consolidated income statement over the repayment period of the notes using effective interest rate method.

33 ASSET RETIREMENT OBLIGATIONS

As part of the land lease agreements between ADWEA and the Company's domestic subsidiaries, the subsidiaries have a legal obligation to remove the power and water desalination plants at the end of the plants' useful lives, or before if the subsidiaries became unable to continue their operations to that date, and to restore the land. The subsidiaries shall at their sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas. The fair value of the ARO liability has been calculated using an expected present value technique. This technique reflects assumptions such as costs, plant useful life, inflation and profit margin that third parties would consider to assume the settlement of the obligation.

In addition, the Company's foreign subsidiaries involved in the oil and gas sector make provision for the future cost of decommissioning oil and gas properties and facilities at the end of their economic lives. The economic life and the timing of the decommissioning liabilities are dependent on Government legislation, commodity prices and the future production profiles of the respective assets. In addition, the costs of decommissioning are subject to inflationary/deflationary pressures in the cost of third party service provision.

	2013 AED million	2012 AED million
ARO liability at 1 January	9,201	7,628
On business combinations (note 3)	2,082	222
Utilised during the year	(170)	(147)
Provided during the year	80	10
Disposal of assets	(6)	–
Accretion expense (note 10.1)	554	436
Revision in estimated cash flows	668	995
Exchange adjustment	(93)	57
ARO liability at 31 December	12,316	9,201
Disclosed in the consolidated statement of financial position as follows:		
Current liabilities (note 36)	120	115
Non-current liabilities	12,196	9,086
	12,316	9,201

34 ADVANCES AND LOANS FROM RELATED PARTIES

	2013 AED million	2012 AED million
Loans from related parties (note (i))	38	36
Advances from related parties	71	77
	109	113

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31 DECEMBER 2013

34 ADVANCES AND LOANS FROM RELATED PARTIES CONTINUED

(i) Movements in the loan balances during the year were as follows:

	2013 AED million	2012 AED million
Balance at 1 January	36	265
Repayment during the year	—	(242)
Notional interest expense (note 10.1)	2	13
BALANCE AT 31 DECEMBER	38	36

Loans from related parties as at 31 December 2013 are from the Abu Dhabi Power Corporation (ADPC).

During 2005, the Company's subsidiary was granted a loan amounting to AED 70 million by a fellow subsidiary of the Company. The loan is interest free and unsecured and is due for payment in full in June 2025. On inception, the Company's management measured the loan at its fair value of AED 24 million. The difference of AED 46 million between the loan amount of AED 70 million and its fair value has been treated as an equity contribution from the ultimate holding company.

35 OTHER LIABILITIES

	2013 AED million	2012 AED million
Provisions recognised on business combinations (note i)	81	190
Negative fair value of derivatives – interest rate swaps (note 41.1)	3,801	6,576
Negative fair value of derivatives – forward exchange contracts (note 41.1)	33	54
Negative fair value of derivatives – cross currency interest rate swaps (note 41.1)	166	134
Employee benefits obligations	75	111
Others	76	116
	4,232	7,181

(i) Provisions recognised on business combinations relate mainly to certain onerous contracts in relation to market conditions recognised at fair value at the date of acquisition of Pioneer Canada Limited in 2007. The current portion of the provisions amounting to AED 93 million (2012: AED 94 million) is shown under accounts payable, accruals and other liabilities (note 36).

Movement in total provision recognised on business combinations during the year is as follows:

	2013 AED million	2012 AED million
Balance at 1 January	284	360
Release to income statement during the year	(95)	(89)
Exchange adjustment	(15)	13
BALANCE AT 31 DECEMBER	174	284

36 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2013 AED million	2012 AED million
Trade payables	1,030	1,458
Payable to joint venture partners	228	105
Accrued interest expenses	1,021	1,009
Accrual for operating costs	1,766	994
Payable for capital expenditure	1,533	940
Provisions recognised on business combinations (note 35)	93	94
Negative fair value of derivatives – interest rate swaps (note 41.1)	897	1,135
Negative fair value of derivatives – forward exchange contracts (note 41.1)	7	9
Asset retirement obligations (note 33)	120	115
Dividends payable to non-controlling interests	28	39
Crude stock overlift	139	94
Others	1,108	1,104
	7,970	7,096

Terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled between 30 to 60 day terms.
- Payables to joint venture partners are non-interest bearing and have an average term of 60 days.
- Interest payable is normally settled throughout the financial year in accordance with the terms of the loans.

37 AMOUNTS DUE TO ADWEA AND OTHER RELATED PARTIES

	2013 AED million	2012 AED million
Loan due to ADWEA (note i)	237	237
Amounts due to fellow subsidiaries – ADWEC & ADPC	79	79
Others	137	87
	453	403

(i) Loan due to ADWEA

The loan payable to ADWEA relates to a loan given to a subsidiary for an amount of AED 237 million. The loan is unsecured and carries interest at 9% per annum. The loan is repayable upon request.

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31 DECEMBER 2013

38 COMMITMENTS AND CONTINGENCIES

(i) Capital expenditure commitments

The authorised capital expenditure contracted for at 31 December 2013 but not provided for amounted to AED 4,830 million (2012: AED 4,724 million).

(ii) Operating lease commitments

Group as a lessor:

Future capacity payments to be received by the Group under power and water purchase agreements ("PWPA") based on projected plant availability as at 31 December are as follows:

	2013 AED million	2012 AED million
Within one year	5,722	5,744
After one year but not more than five years	22,132	23,468
More than five years	60,772	67,897
	88,626	97,109

Group as a lessee:

Future minimum payments under non-cancellable operating leases as at 31 December are as follows:

Within one year	423	425
After one year but not more than five years	1,152	1,255
More than five years	1,064	1,343
	2,639	3,023

Joint Venture:

LWP Lessee LLC, which was acquired during 2013 (see note 19), has future minimum rentals payable under a non-cancellable operating lease as at 31 December 2013 amounting to AED 1,790 million, of which the Group's share is AED 895 million.

Associates:

Sohar Aluminium Company LLC, one of the Group's associates, has future minimum rentals payable under a non-cancellable operating lease as at 31 December 2013 amounting to AED 1,498 million (2012: AED 1,588 million), of which the Group's share is AED 599 million (2012: AED 635 million).

(iii) Other commitments

- TAQA has entered into an agreement with an infrastructure fund (note 15) managed by a third party and has committed to invest US \$200 million (AED 735 million) in the fund. As of 31 December 2013, a net amount of AED 589 million (US \$160 million) (31 December 2012: AED 604 million, US \$164 million) has been invested in the fund and is treated as an available for sale investment.
- As at the reporting date TAQA North has entered into contractual commitments, mainly pipeline usage commitments, under which they are committed to spend AED 348 million prior to 31 December 2016 (31 December 2012: AED 529 million).
- On 8 April 2012, TAQA signed a joint venture agreement with Mass Global Investments Company Limited ("MGIC") to acquire a 50% interest in the 1,000 MW gas fired IPP situated near Sulaymaniyah, in the Kurdish region of the Republic of Iraq. The power plant has been operating since 2009. The transaction is subject to the fulfilment of certain conditions precedent and is expected to complete during the first quarter of 2014.

(iv) Contingencies

- a) As a result of acquisitions made in prior periods, there are contingent liabilities arising from (a) tax assessments or proposed assessments and (b) certain other disputes, all of which are being contested. Pursuant to the Purchase and Sale Agreements, the sellers have provided TAQA and its subsidiaries with indemnity obligations with respect to such contingent liabilities for the periods prior to date of the respective acquisitions.
- b) TAQA GEN X LLC ("GENX") is the owner by assignment of a Fuel Conversion Services, Capacity and Ancillary Services Purchase Agreement dated as of September 17, 1999 (the "Tolling Agreement") by and between AES Red Oak, L.L.C. ("AES") and Williams Energy Marketing & Trading Company, as well as other ancillary rights and agreements. GENX entered into an Energy Management Agreement ("EMA") and an ISDA Master Agreement ("ISDA") both dated 28 December 2010 with Morgan Stanley Capital Group Inc. to manage the energy products under the Tolling Agreement and ancillary rights and agreements. At the end of the year, the Group guaranteed the obligations of GENX to Morgan Stanley Capital Group Inc. under the EMA and ISDA agreement. Payments under this guarantee shall not exceed US\$100 million (AED 367 million) (2012: US\$ 100 million) over the life of the EMA. No payments have ever been made under these guarantees.
- c) In addition to the above, there are certain guarantees and letters of credit arising in the ordinary course of business to which TAQA and certain other subsidiaries are parties. These do not create any material additional obligations other than what is disclosed in the consolidated statement of financial position as at year end.

39 RELATED PARTY TRANSACTIONS

As stated in note 1 to the financial statements, the Group is a subsidiary of ADWEA, which is wholly owned by the Government of Abu Dhabi and as such the Group is a government related entity as defined by IAS 24 Amended. The Group is therefore exempt from disclosing certain information relating to transactions and balances with entities related to the same government.

COLLECTIVELY BUT NOT INDIVIDUALLY SIGNIFICANT TRANSACTIONS

All domestic power and water production is acquired by ADWEC (a fellow subsidiary of the Group) under long term PWPAs. Natural gas fuel is supplied by ADWEC to the domestic subsidiaries at no cost in accordance with the terms of the PWPAs.

The following table provides a summary of significant related party transactions included in the consolidated income statement during the year:

	2013 AED million	2012 AED million
Fellow subsidiary (Abu Dhabi Water and Electricity Company):		
Sale of electricity and water	6,846	6,919
Fuel revenue (note 5.3)	17	46
Other revenue	320	35
Others:		
Interest income on loan to associate (note 10.2)	5	5
Interest expense on loan from ADWEA (note 10.1)	(21)	(21)
Notional interest expense on loan from ADWEA and ADPC (note 10.1)	(2)	(13)
Government entities		
Licensing fees	12	15
Fuel expense	15	32
Finance cost	57	51

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31 DECEMBER 2013

39 RELATED PARTY TRANSACTIONS CONTINUED

BALANCES WITH RELATED PARTIES AND GOVERNMENTAL AGENCIES

Balances with related parties that are disclosed in the consolidated statement of financial position as follows:

	2013 AED million	2012 AED million
Non-current assets:		
Advance and loans to associates (note 20)	398	398
Current assets:		
Advance and loans to associates (note 20)	570	680
Accounts receivable:		
Amounts due from fellow subsidiaries (note 23)	1,161	1,196
Loan to an associate (note 20)	13	17
Bank balance with government owned bank	326	147
Short-term deposit held with government owned bank	70	947
Non-current liabilities:		
Loan from a fellow subsidiary – ADPC (note 34)	38	36
Advances from a fellow subsidiary (note 34)	71	77
Bank loans with government owned bank	178	244
Current liabilities:		
Amounts due to ADWEA and other related parties (note 37)	137	87
Loan due to ADWEA (note 37)	237	237
Amounts due to fellow subsidiaries – ADWEC & ADPC (note 37)	79	79
Overdraft with government owned bank	62	91
At 31 December, the Company had available undrawn bank facilities with government owned entities:	636	636

OTHER TRANSACTIONS

Compensation of key management personnel

For certain subsidiaries, key management personnel are provided by operation and maintenance companies under contractual agreements with the subsidiaries.

The remuneration of senior key management personnel of the Group during the year was as follows:

	2013 AED million	2012 AED million
Short-term benefits	41	44
Post-employment benefits	3	8
	44	52

40 SUBSIDIARIES

The consolidated financial statements include the financial statements of TAQA and all its subsidiaries. The Group's major operating subsidiaries are listed below:

	Country of incorporation	Percentage holding 31 December 2013	31 December 2012
DOMESTIC SUBSIDIARIES			
Emirates CMS Power Company PJSC (ECPC)	UAE	54%	54%
Gulf Total Tractebel Power Company PJSC (GTTPC)	UAE	54%	54%
Arabian Power Company PJSC (APC)	UAE	54%	54%
Shuweihat CMS International Power Company PJSC (SCIPCO)	UAE	54%	54%
Taweelah Asia Power Company PJSC (TAPCO)	UAE	54%	54%
Emirates Semb Corp Water and Power Company PJSC (ESWPC)	UAE	54%	54%
Fujairah Asia Power Company PJSC (FAPCO)	UAE	54%	54%
Ruwais Power Company PJSC (RPC)	UAE	54%	54%
Taweelah Shared Facilities Company LLC (TSFC)*	UAE	48%	48%
Shuweihat Shared Facilities Company LLC (SSFC)*	UAE	38%	38%
FOREIGN SUBSIDIARIES			
TAQA New World, Inc.	Delaware, USA	100%	100%
TAQA GEN XLP	Delaware, USA	85%	85%
TAQA Bratani Limited	UK	100%	100%
TAQA International B.V.	Netherlands	100%	100%
TAQA Energy B.V.	Netherlands	100%	100%
TAQA North Ltd.	Canada	100%	100%
TAQA Atrush B.V.	Netherlands	100%	100%
Jorf Lasfar Energy Company, S.A.	Morocco	85.79%	100%
Jorf Lasfar Energy Company 5&6 S.A.	Morocco	90.62%	100%
Takoradi International Company	Cayman Islands	90%	90%
TAQA Neyveli Power Company Private Ltd.	India	100%	100%
Himachal Sorang Power Limited **	India	84%	84%
TAQA Insurance Limited	Guernsey	100%	—

*These entities are treated as subsidiaries even though TAQA's holding in these entities are below 50% due to the Group's control through the direct holding in these subsidiaries by two of the Group's subsidiaries being above 50%, thus enabling TAQA to have the ability to exercise control in the Board.

** The relevant activities of Himachal Sorang Power Limited ("HSPL") are determined by the board of directors, and based on the contractual arrangements between the Group and the other investors, require the approval of a TAQA appointed director. On this basis, the Group has control over HSPL and HSPL is consolidated in these financial statements. The Group owns 5% of the share capital of HSPL and 100% of the fully convertible debentures, which are classified as equity under IFRS. Therefore, the Group's effective ownership in HSPL is 84%.

Further details on the main subsidiaries are as follows:

DOMESTIC SUBSIDIARIES

Emirates CMS Power Company PJSC (ECPC)

Emirates CMS Power Company PJSC ("ECPC") is a private joint stock company registered and incorporated in the United Arab Emirates ("UAE") and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid. ECPC is 60% owned by Emirates Power Company PJSC, a 90% owned subsidiary of Abu Dhabi National Energy Company PJSC ("TAQA") and 40% owned by CMS Generation Taweelah Limited.

ECPC has a management operation and maintenance agreement with Taweelah A2 Operating Company whereby the latter has undertaken to manage the day-to-day operations and maintain ECPC's plant. The ECPC has entered into a power and water purchase agreement ("PWPA") with Abu Dhabi Water and Electricity Company ("ADWEC"), a related party (a wholly-owned subsidiary of ADWEA). Under the PWPA, ECPC undertakes to make available, and ADWEC undertakes to purchase, the entire net capacity of the plant until October 2021 in accordance with various agreed terms and conditions. The output payments cover variable operation and maintenance costs and fuel efficiency bonuses or penalty for actual output. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by ECPC at the end of the PWPA term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2013

40 SUBSIDIARIES CONTINUED

DOMESTIC SUBSIDIARIES CONTINUED

Gulf Total Tractebel Power Company PJSC (GTTPC)

Gulf Total Tractebel Power Company PJSC ("GTTPC") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid. GTTPC is 60% owned by Gulf Power Company, a 90% owned subsidiary of TAQA and 40% owned by Total Tractebel Emirates Power Company.

GTTPC has a management operation and maintenance agreement with Total Tractebel Emirates O & M Company, whereby the latter has undertaken to manage the day-to-day operations and maintain the GTTPC plant. Further, GTTPC has entered into a power and water purchase agreement with ADWEC. Under the agreement, GTTPC undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until May 2023 in accordance with various agreed terms and conditions. The output payments cover variable operation and maintenance costs and fuel efficiency bonuses or penalty for actual output. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by GTTPC at the end of the PWWA term.

Following completion of the A10 extension project, the PWWA was amended resulting in an extension to the term by an additional six years until April 2029. The output payments cover variable operation and maintenance costs and fuel efficiency bonuses or penalty for actual output. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant and its A10 extension will be retained by the Company at the end of the PWWA term.

Arabian Power Company PJSC (APC)

Arabian Power Company PJSC ("APC") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid. APC is 60% owned by Arabian United Power Company, a 90% owned subsidiary of TAQA and 40% owned by ITM Investment Company Limited.

APC has a management operation and maintenance agreement with ITM O & M Company Limited, whereby the latter has undertaken to manage the day-to-day operations and maintain APC's plant. Further, APC has entered into a PWWA with ADWEC. Under the PWWA, APC undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until July 2027 in accordance with various agreed terms and conditions. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by APC at the end of the PWWA term.

Shuweihat CMS International Power Company PJSC (SCIPCO)

Shuweihat CMS International Power Company PJSC ("SCIPCO") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid. SCIPCO is 60% owned by Al Shuweihat Power Company, a 90% subsidiary of TAQA and 40% owned by Shuweihat Limited.

SCIPCO has a management operation and maintenance agreement with Shuweihat O & M Limited Partnership, whereby the latter has undertaken to manage the day-to-day operations and maintain SCIPCO's plant. Further, SCIPCO has entered into a PWWA with ADWEC. Under the agreement, SCIPCO undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until June 2025 in accordance with various agreed terms and conditions. The output payments cover variable operation and maintenance costs and fuel efficiency bonuses or penalty for actual output. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by SCIPCO at the end of the PWWA term.

Taweelah Asia Power Company PJSC (TAPCO)

Taweelah Asia Power Company PJSC ("TAPCO") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the Abu Dhabi grid. TAPCO is 60% owned by Taweelah United Power Company, a 90% subsidiary of TAQA and 40% owned by Asia Gulf Power Holding Company Limited.

TAPCO has a management operation and maintenance agreement with Asia Gulf Power Service Company Limited, whereby the latter has undertaken to manage the day-to-day operations and maintain TAPCO's plant. Further, TAPCO has entered into a PWWA with ADWEC. Under the PWWA, TAPCO undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until March 2028 in accordance with various agreed terms and conditions. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by TAPCO at the end of the PWWA term.

Emirates SembCorp Water and Power Company PJSC (ESWPC)

Emirates SembCorp Water & Power Company PJSC ("ESWPC") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water. ESWPC is 60% owned by Union Power Holding Company, a 90% subsidiary of TAQA and 40% owned by SembCorp Gulf Holding Company Limited.

ESWPC has a management operation and maintenance agreement with SembCorp Gulf O & M Company Limited, whereby the latter has undertaken to manage the day-to-day operations and maintain ESWPC's plant. Further, ESWPC has entered into a PWWA with ADWEC. Under the PWWA, ESWPC undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until January 2029 in accordance with various agreed terms and conditions. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by ESWPC at the end of the PWWA term.

Fujairah Asia Power Company PJSC (FAPCO)

Fujairah Asia Power Company PJSC ("FAPCO") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water for supply into the UAE grid. FAPCO is 60% owned by Fujairah Water and Electricity Company, a 90% subsidiary of TAQA and 40% owned by Fujairah F2 CV.

During the year, the principal activities of the Company were to develop, finance, design and construct a power generation and desalination plant (the "Plant"). In 2007, Fujairah F2 CV entered into a turnkey agreement ("EPC") with third party contractors for the engineering, procurement and construction of the Plant in Fujairah. This agreement was subsequently novated to the Company.

FAPCO has a management operation and maintenance agreement with Fujairah F2 O & M Company Ltd, whereby the latter has undertaken to manage the day-to-day operations and maintain the Company's plant until 2030. Further, FAPCO has a gas turbine long-term service agreement ("LTSA") with Alstom O&M Limited and Alstom Power Service (Arabia) until 2026. FAPCO has entered into a power and water purchase agreement ("PWWA") with Abu Dhabi Water and Electricity Company ("ADWEC"), a related party and a wholly-owned subsidiary of ADWEA. Under the PWWA, the Company undertakes to make available, and ADWEC undertakes to purchase, the entire net capacity of the plant until July 2030 in accordance with various agreed terms and conditions. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by FAPCO at the end of the PWWA term.

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31 DECEMBER 2013

40 SUBSIDIARIES CONTINUED

DOMESTIC SUBSIDIARIES CONTINUED

Ruwais Power Company PJSC (RPC)

Ruwais Power Company PJSC ("RPC") is a private joint stock company registered and incorporated in the UAE and is engaged in the generation of electricity and the production of desalinated water. RPC is 60% owned by Ruwais Power Holding Company, a 90% subsidiary of TAQA and 40% owned by Shuweihat 2 Holding Company Limited.

During the year, the principal activities of RPC were to develop, finance, design and construct a power generation and desalination plant (the "Plant"). In 2008, RPC entered into a turnkey agreement with third party contractors for the engineering, procurement and construction of the Plant in Ruwais for an amount of US\$ 2.2 billion.

RPC has a management operation and maintenance agreement with S2 Operation and Maintenance Company W.L.L, whereby the latter has undertaken to manage the day-to-day operations and maintain the Company's plant. In July 2008, RPC has entered into a power and water purchase agreement ("PWPA") with Abu Dhabi Water and Electricity Company ("ADWEC"), a related party, (a wholly-owned subsidiary of ADWEA). Under the PWPA, RPC undertakes to make available, and ADWEC undertakes to purchase, the available net capacity of the plant until August 2031 in accordance with various agreed terms and conditions. Natural gas fuel is supplied by ADWEC at no cost. The ownership of the plant will be retained by RPC at the end of the PWPA term.

FOREIGN OPERATING SUBSIDIARIES

TAQA GEN X LP

TAQA GEN X limited partnership was incorporated during 2008 and is a 85% subsidiary of TAQA. During the fourth quarter of 2008, TAQA GEN X acquired 100% holding in BE Red Oak holding LLC, a company which holds a contractual interest in a tolling agreement for a combined cycle generation facility with a design electric generation capacity of approximately 764 MW located in Sayreville, New Jersey which facility is owned by AES Red Oak. The Tolling Agreement is defined as certain Fuel Conversion Services, Capacity and Ancillary Services Purchase Agreement dated 17 September 1999 between BE Red Oak and AES Red Oak, as amended. The acquisition was completed on 31 December 2008.

TAQA Bratani Limited and TAQA Bratani LNS Limited

TAQA Bratani Limited and TAQA Bratani LNS Limited were incorporated in 2006 to oversee TAQA's investments in the UK. In 2006, TAQA Bratani Limited and TAQA Bratani LNS Limited acquired the working interests of Talisman Energy Inc. in the Brae area of the UKCS (UK Continental Shelf). The interests in the Brae asset area includes part ownership of platforms, pipelines and offshore facilities, together with a large number of contracts which were entered into as part of the acquisition (mainly processing, tariffing and supply contracts). Control was transferred to the subsidiary on 31 December 2007. On 1 December 2008, TAQA Bratani Limited acquired a business from the UK subsidiaries of Shell UK Limited and Esso Exploration and Production UK Limited comprising a package of upstream assets in the Northern North Sea together with related infrastructure, personnel and processes.

TAQA Energy B.V.

In January 2007, TAQA, through its wholly owned subsidiary TAQA Europa B.V., acquired BP Nederland Energie B.V. (subsequently renamed TAQA Energy B.V.) from Amoco Netherlands Petroleum Company ("Amoco"). TAQA Energy is involved in the exploration, production and transportation of oil and natural gas in the Netherlands. TAQA Energy is also involved in the peak gas business by commissioning the first peak shaver in the Netherlands, the Alkmaar Piek Gas Installatie ("PGI"). In October 2009, TAQA Energy completed the acquisition of all issued and outstanding interest in DSM Energie Holding B.V. ("DSM Energy") from the Netherlands based Royal DSM N.V. TAQA Energy took control of the company which includes new and existing licenses in the North Sea as well as 40% interest in Noordgastransport B.V.

TAQA NORTH Ltd.

TAQA NORTH, formerly Northrock Resources Limited ("Northrock") is a Calgary-based oil and gas exploration company with operations in Alberta, British Columbia, Saskatchewan, Ontario and the Northwest Territories in Canada and in Montana, North Dakota and Wyoming in the United States. Northrock was acquired by TAQA in August 2007 from Pogo Producing Company and amalgamated with TAQA NORTH. TAQA NORTH subsequently entered into agreements to acquire Pioneer Canada Ltd. ("Pioneer"), a subsidiary of US-based Pioneer Natural Resources Company, and Calgary-based PrimeWest Energy Trust ("PrimeWest"). The former transaction closed on 27 November 2007 and the latter on 16 January 2008.

Jorf Lasfar Energy Company, SCA (JLEC) and Jorf Lasfar Energy Company 5&6 S.A. (JLEC 5&6)

JLEC was incorporated in Morocco as a société en commandite par actions (which is similar to a limited partnership) in January 1997. Through affiliated companies, TAQA owns 100% of JLEC. JLEC was established to operate two existing power generation units at Jorf Lasfar, each having 330 MW gross capacity ("units 1 and 2"), and to construct and operate two units of 348 MW gross capacity each ("units 3 and 4") at the same site.

Through the power purchase agreement ("PPA"), transfer of possession agreement and the construction and procurement agreement, JLEC acquired the right to design, construct, finance and commission units 3 and 4, operate all four units and sell all power generation capacity and net electricity production generated by these four units to Morocco's state-owned "Office National de Electricite" ("ONE") for a period of thirty years from financial close of the Jorf Lasfar project, which occurred in September 1997.

ONE retained legal title to units 1 and 2 and acquired legal title to each of units 3 and 4 as they were constructed. JLEC operates and possesses all four units and ancillary infrastructure comprising the Jorf Lasfar power station through a right of quiet enjoyment (droit de jouissance), a concept recognised under Moroccan law which transfers possession together with the right to use, enjoy and profit from the assets transferred.

As of May 2007, the operating company, JLEC, became an indirect wholly owned subsidiary of TAQA when TAQA acquired a 50% interest in the operating company as part of the acquisition of TAQA Generation, and acquired the remaining 50% interest from an affiliate of ABB Ltd.

In December of 2010, JLEC formed a subsidiary called Jorf Lasfar Energy Company 5&6 S.A., which was established to construct, own, and operate two units of approximately 350 MW gross capacity each ("units 5 and 6") adjacent to the existing JLEC project.

Takoradi International Company (TICO)

TICO is the Ghana Branch of a Cayman Islands limited liability company. The company is authorised to develop, design, finance, construct, commission, complete, own, operate, and maintain a power generation plant to be located adjacent to the existing power station in Aboadze, near Takoradi, within the TTPP complex. As of May 2007, TAQA Generation, a wholly owned subsidiary of TAQA acquired a 90% interest in TICO.

TAQA Neyveli Power Company Private Ltd. (TNPCPL)

TNPCPL was incorporated on 17 November 1993, principally for the purposes of owning and operating the 250 MW lignite thermal power plant facility located in Neyveli, Tamil Nadu, Republic of India. TNPCPL sells the entire capacity of the power plant to TNEB, the local state government owned utility, under a 30-year power purchase agreement. The plant was developed and constructed by SCECPL and commenced commercial operations in December 2002. The plant is operated by CMS (India) Operation and Maintenance Company Private Limited under a 30-year operation and maintenance agreement.

As of May 2007, the operating company, TNPCPL, became an indirect wholly owned subsidiary of TAQA when TAQA acquired a 50% interest in TNPCPL as part of the acquisition of TAQA Generation, and acquired the remaining 50% interest in May 2007 from an affiliate of ABB Ltd.

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40 SUBSIDIARIES CONTINUED

FOREIGN OPERATING SUBSIDIARIES CONTINUED

TAQA Atrush B.V

TAQA Atrush B.V. was incorporated in 2012 to acquire a 53.2% interest in the Atrush oil block in the Kurdistan region of Iraq from General Exploration Partners Inc, an affiliate of Aspect Energy International LLC.. The acquisition completed in December 2012 and TAQA Atrush B.V. also became the operator. The Atrush oil block is currently in the exploration phase with a field development plan being worked towards following commercial discovery in November 2012.

Himachal Sorang Power Limited (HSPL)

TAQA acquired HSPL in December 2012, the developer and operator of a 100 megawatt (MW) hydroelectric plant in the northern Indian state of Himachal Pradesh. Construction of the Sorang hydroelectric project is still in progress and the plant is expected to begin operations in 2014. It will be powered by the Sorang Khad, a river originating in the Himalayas, and will supply electricity to the northern states of India, a region currently facing power shortages. It uses run-of-the-river technology to convert the river's natural water flow to electricity, eliminating the need for a reservoir.

OTHER SUBSIDIARIES

O&M Companies

As part of the acquisition of Jorf Lasfar, SCECPL and TICO as described above, TAQA also acquired the related operating and maintenance companies.

Taweelah Shared Facilities Company LLC (TSFC)

TAQA acquired a controlling interest in Taweelah Shared Facilities Company LLC through its subsidiaries Taweelah Asia Power Company PJSC, Emirates CMS Power Company PJSC and Gulf Total Tractebel Power Company PJSC. TSFC is a closely held private company incorporated in United Arab Emirates which maintains shared utility facilities in Al Taweelah complex for the supply and discharge of sea water and provides other related services to TAQA subsidiaries.

Shuweihat Shared Facilities Company LLC (SSFC)

TAQA acquired a controlling interest in Shuweihat Shared Facilities Company LLC through its subsidiaries Ruwais Power Company PJSC and Shuweihat CMS International Power Company PJSC. SSFC is a closely held private company incorporated in United Arab Emirates which maintains shared utility facilities in Shuweihat complex for the supply and discharge of sea water and provides other related services to TAQA subsidiaries.

TAQA International BV

The subsidiary was created in 2006 to oversee certain investments made by TAQA. As of 31 December 2009, the Company held investments in TAQA Energy, TAQA North, TAQA Bratani, Jorf Lasfar 5&6, TAQA Neyveli Power Company, TAQA Atrush B.V. and TAQA Financial Services.

TAQA New World – Delaware and Aglauros Inc.

The subsidiary was created in 2006 to oversee TAQA's investments in United States of America.

TAQA Financial Services

The subsidiary was created in 2008 for the purpose of centralising the group's treasury operations. The primary goal of TAQA Financial Services ("TFS") is to act as an in house bank through which all of the Group's entities direct their cash flow.

TAQA Insurance Limited

The subsidiary was created in 2013 for the purpose of centralising the group's insurance operations. The primary goal of TAQA Insurance Limited ("TIL") is to act as an in house insurance broker for the all of the Group's entities.

Al Wahda Investment Company LLC

Al Wahda Investment Company LLC ("AWIC") is a limited liability company registered and incorporated in the UAE and is engaged in investment activities.

41 FINANCIAL INSTRUMENTS

41.1 HEDGING ACTIVITIES

	Current 2013 AED million	Non-current 2013 AED million	Current 2012 AED million	Current 2012 AED million
CASH FLOW HEDGES				
Assets				
Interest rate swaps (note 21 and 23)	41	115	–	–
Commodity forward contracts (note 23)	–	–	4	–
Forward foreign exchange contracts (notes 21 and 23)	20	80	14	80
	61	195	18	80
Liabilities				
Cross currency interest rate swap (note 35)	–	166	–	134
Interest rate swaps (notes 35 and 36)	897	3,801	1,135	6,576
Forward foreign exchange contracts (notes 35 and 36)	7	33	9	54
	904	4,000	1,144	6,764
FAIR VALUE HEDGES				
Assets				
Futures and forward contracts (note 23)	225	–	261	–

(i) Interest Rate Swaps – Cash flow hedge

In order to reduce their exposure to interest rate fluctuations on variable interest bearing loans and borrowings (note 31) and Islamic loans (note 32) certain subsidiaries have entered into interest rate swap arrangements with counter-party banks for a notional amount that matches the outstanding interest bearing loans and borrowings and Islamic loans. The derivative instruments were designated as cash flow hedges. The following table summarises certain information relating to the derivatives for each subsidiary as of 31 December 2013 and 31 December 2012:

Subsidiary	Notional amount		Derivative liabilities		Derivative assets	Fix leg on instrument 2013	Fix leg on instrument 2012
	2013 AED million	2012 AED million	2013 AED million	2012 AED million	2013 AED million		
ECPC	992	1,242	98	176	–	6.31% to 6.33%	6.31% to 6.33%
GTTTC	3,193	3,299	263	491	126	2.63% to 6.99%	2.89% to 6.99%
SCIPCO	2,873	3,130	387	563	–	5.04% to 6.35%	5.04% to 6.35%
APC	2,447	2,620	317	519	–	4.6% to 4.89%	4.6% to 4.89%
TAPCO	6,049	6,406	751	1,169	–	2.81% to 5.28%	2.81% to 5.28%
ESWPC	3,944	4,104	682	1,010	–	3.0% to 5.85%	3.0% to 5.85%
FAPCO	5,632	5,800	1,217	2,034	–	5.65% to 5.72%	5.65% to 5.72%
RPC	5,282	5,447	934	1,749	–	3.86% to 5.4%	3.86% to 5.4%
JLEC 5&6 (note a)	2,839	–	2	–	30	1.92% to 2.12%	–
TICO (note b)	433	–	47	–	–	2.2% to 2.31%	–
	33,684	32,048	4,698	7,711	156		

- a) During 2013, JLEC 5&6 entered into interest rate swap arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the variable interest rate loans, covering 100% of the outstanding variable interest rate term loans for the whole term of the loan. At 31 December 2013, the fixed interest rates vary from 3.924% – 4.424%. The floating interest rate is LIBOR for the JBIC direct loan and EURIBOR for all other EURO denominated loans. The notional amount outstanding at 31 December 2013 was US\$ 621 million (AED 2,282 million). The derivative instruments which were entered into for the purpose of cash flow hedging had a negative fair value of US\$ 0.7 million (AED 2 million) at 31 December 2013, which is included within other non-current liabilities and positive fair value of US\$ 8 million (AED 30 million) at 31 December 2013, which is included within other assets.
- b) During 2013, TICO has entered into interest rate swap arrangements with counter-party banks for a notional amount that mirrors the draw down and repayment schedule of the variable interest rate loans, covering 90% of the outstanding variable interest rate term loans for 100% of their term. At 31 December 2013, the fixed interest rates vary from 2.2% – 2.308%. The floating interest rate is LIBOR for the IFC syndicated loan. The notional amount outstanding at 31 December 2013 was US\$ 118 million (AED 433 million). The derivative instruments which were entered into for the purpose of cash flow hedging had a negative fair value of US\$ 13 million (AED 47 million) at 31 December 2013 and are included within other non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2013

41 FINANCIAL INSTRUMENTS CONTINUED

41.1 HEDGING ACTIVITIES CONTINUED

(ii) Cross currency Swaps – Cash flow hedges

In December 2010, the Group entered into cross currency interest rate swap agreements with a group of banks to hedge the Group's exposure to foreign exchange for a portion of the Euro bond amounting to EUR 197 million. The Euro bond was repaid during 2013 and the swap expired and as such there was no notional amount outstanding at 31 December 2013 (2012: EUR 197 million).

The derivative instrument had a negative fair value of AED 18 million at 31 December 2012 which was included within other liabilities (note 36).

During 2012, the Group entered into a cross currency rate swap agreement to hedge the Group's exposure on the Malaysian Ringgit Sukuk issued during the year (note 32 (iv)). Under the terms of the cross currency rate swap, TAQA is required to pay a fixed rate of 5.3% per annum on an initial exchange amount of US \$ 215 million and receive a fixed rate of 4.65% per annum on an amount of MYR 650 million. The derivative instrument had a negative fair value of AED 166 million at 31 December 2013 (2012: negative fair value AED 116 million), which was included within other liabilities in the consolidated financial position.

(iii) Hedge of net investment in foreign operations

Up until October 2013 the Group had borrowings amounting to Euro 553 million which had been designated as a hedge of the net investment in the Netherlands subsidiary TAQA Energy B.V. and was being used to hedge the Group's exposure to foreign exchange risk on this investment. The borrowings were repaid during October 2013 and thus the hedge is discontinued. During the year ended 31 December 2013, a loss of AED 69 million (2012: loss of AED 46 million) on the retranslation of this borrowing was transferred to equity to offset any gains or losses on translation of the net investment in this subsidiary.

There was no ineffectiveness in the years ended 31 December 2013 and 2012.

(iv) Forward Foreign Exchange Contracts

SHUWEIHAT CMS INTERNATIONAL POWER COMPANY PJSC (SCIPCO)

SCIPCO uses forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to an overseas supplier. The outstanding forward foreign exchange commitment at 31 December 2013 amounted to AED 257 million (2012: AED 328 million).

The derivative instrument had a positive fair value of AED 17 million as of 31 December 2013 (2012: AED 10 million). An amount of AED 12 million (2012: AED 8 million), representing the non-current portion of the derivative asset has been included within other assets (note 21) and the current portion amounting to AED 5 million (2012: AED 2 million) is included within accounts receivable and prepayments (note 23).

FUJAIH ASIA POWER COMPANY PJSC (FAPCO)

FAPCO uses forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to an overseas supplier. The notional amount outstanding at 31 December 2013 was AED 340 million (2012: AED 375 million).

The derivative instrument had a positive fair value of AED 78 million (2012: AED 84 million) as of 31 December 2013. An amount of AED 63 million (2012: AED 72 million), representing the non-current portion of the derivative asset has been included within other assets (note 21) and the current portion amounting to AED 15 million (2012: AED 12 million) is included within accounts receivable and prepayments (note 23).

RUWAIS POWER COMPANY PJSC (RPC)

RPC uses forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations relating to scheduled maintenance cost payments to an overseas supplier. The notional amount outstanding at 31 December 2013 was AED 392 million (2012: AED 452 million).

The derivative instrument had a negative fair value of AED 40 million (2012: AED 63 million) as of 31 December 2013. An amount of AED 33 million (2012: AED 54 million), representing the non-current portion of the derivative liability has been included within other liabilities (note 36) and the current portion amounting to AED 7 million (2012: AED 9 million) is included within accounts payable, accruals and other liabilities (note 35).

JORF LASFAR ENERGY COMPANY 5&6 (JLEC 5&6)

During the year ended 31 December 2013, JLEC 5&6 has entered into a forward foreign exchange swap arrangement with a counter-party bank for the foreign exchange amounts to deliver MAD for receipt of US\$ at settlement dates during 2013 and 2014. The notional amount outstanding at 31 December 2013 was US\$ 11 million (AED 40 million). The derivative instruments which were entered into for the purpose of cash flow hedging had a positive fair value of US\$ 1.3 million (AED 5 million) at 31 December 2013 and is included within other assets.

(v) Forward Sales Transactions – Cash flow hedges

TAQA NORTH

The Board of Directors of TAQA approved a commodity hedging policy in the summer of 2010, which authorised management to enter into financial derivative contracts to manage the Group's exposure to commodity price volatility. TAQA North, a subsidiary of TAQA, developed and enacted a risk management strategy regarding commodity price risk and implemented a hedging programme using zero cost collar contracts to mitigate the risk of crude oil and natural gas price volatility. These commodity derivatives are designated as cash flow hedges; the effective portion of gain and losses being initially recorded in other comprehensive income and deferred in equity before being transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement or the forecast transaction is no longer highly probable.

Effectiveness is assessed only during those periods in which there is a change in intrinsic value of the hedging instrument. Changes in the time value of the options are excluded from the assessment of effectiveness and together with any ineffective portion of gains and losses are recognised directly in the consolidated income statement in each reporting period. In the second quarter of 2012, the commodity hedging programme was suspended and as such there was no outstanding commodity hedges as at 31 December 2013. The notional amount outstanding at 31 December 2012 was bbls 0.9 million for crude oil and natural gas GJ 1.8 million. The fair market value of these instruments as at 31 December 2012 was negative CAD 1 million (AED 4 million). The net realised and unrealised gains recognised in the consolidated income statement relating to such instruments is CAD 1 million (AED 4 million) for the year ended 31 December 2013 (2012: AED 6 million).

(vi) Interest Rate Swaps – Fair value hedges

In April 2010, the Group entered into interest rate swap agreements with a group of banks to hedge the changes in fair value of US\$ 1 billion Global Medium Term Notes (AED 3.7 billion) attributable to movements in the LIBOR rate component. Under the swap agreement, the Group receives a fixed rate of interest of 6.6% and pays a variable rate equal to LIBOR plus margin on a notional amount. The swap has been designated as fair value hedge.

In March 2011, the Group entered into an early settlement agreement with the hedging institution to terminate those interest rate swaps resulting in a total gain of AED 79 million which was deferred in the consolidated statement of financial position and was being amortised to consolidated income statement on a monthly basis. AED 18 million (2012: AED 33 million) has been recognised as other income in the consolidated income statement in the current year and there is no remaining balance deferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2013

41 FINANCIAL INSTRUMENTS CONTINUED

41.1 HEDGING ACTIVITIES – Fair value hedges continued

(vii) Other

TAQA GEN X LLC, a subsidiary of TAQA utilises derivative instruments, which include futures and forwards as a hedging strategy to manage the exposure in the fair value of the underlying Tolling Agreement. Forward and future transactions are contracts for delayed delivery of commodity instruments in which the counterpart agrees to make or take delivery at a specified price.

As at 31 December 2013, the net fair value of exchange-traded derivative instruments was AED 225 million shown under other accounts receivable and prepayments (note 23) (2012: AED 261 million). The net realised and unrealised gains recognised in the consolidated income statement relating to such instruments are AED 85 million for the year ended 31 December 2013 (2012: gains of AED 351 million).

The Tolling Agreement recognised as an intangible at acquisition was adjusted for the change in fair value for movements in the designated hedge risk in a fair value hedge relationship. The changes in the fair value of the Tolling Agreement attributable to the hedged risk (note 16), for the year ended 31 December 2013 was a loss of AED 105 million (2012: loss of AED 128 million) which was recognised in the consolidated income statement.

During the year ended 31 December 2013, TAQA GEN X LLC terminated hedge accounting for the changes in fair value of the underlying Tolling Agreement as a result of hedge ineffectiveness. The accumulated adjustment in fair value of the Tolling Contract since the inception of the accounting hedge designation totalled AED 302 million which will be amortised on a straight line basis over the remaining useful life of the toll agreement.

41.3 FAIR VALUES

The fair values of the financial instruments of the Group are not materially different from their carrying values at the reporting date except for certain fixed interest borrowings and operating financial assets. Set out below is a comparison of the carrying amounts and fair values of fixed interest borrowings and operating financial assets:

	Carrying amount		Fair value	
	2013 AED million	2012 AED million	2013 AED million	2012 AED million
Operating financial assets	10,319	8,180	10,575	8,891
Interest bearing loans and borrowings (note i)	32,568	33,262	35,206	37,393

(i) Interest bearing loans and borrowings relates to the Abu Dhabi National Energy Company Global Medium Term notes, Abu Dhabi National Energy Company bonds and the Ruwais Power Company bond.

The fair value of operating financial assets is estimated by discounting the expected future cash flows using appropriate interest rates for assets with similar terms, credit risk and remaining maturities.

The fair value of the interest bearing loans and borrowings is based on price quotations at the reporting date.

41.4 FAIR VALUE HIERARCHY

The Company 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.

	31 December AED million	Level 1 AED million	Level 2 AED million	Level 3 AED million
2013				
Financial assets measured at fair value				
Available for sale investments	583	—	—	583
Forward foreign exchange contracts	100	—	100	—
Futures and forward contracts	225	—	225	—
Interest rate swaps	156	—	156	—
Financial assets disclosed at fair value				
Operating financial assets	10,575	—	—	10,575
Financial liabilities measured at fair value				
Interest rate swaps – hedged	4,698	—	4,698	—
Forward foreign exchange contracts	40	—	40	—
Cross currency interest rate swaps	166	—	166	—
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	35,206	35,206	—	—
2012				
Financial assets measured at fair value				
Available for sale investments	509	—	—	509
Forward foreign exchange contracts	94	—	94	—
Futures and forward contracts	261	—	261	—
Commodity forward contracts	4	—	4	—
Financial assets disclosed at fair value				
Operating financial assets	8,891	—	—	8,891
Financial liabilities measured at fair value				
Interest rate swaps – hedged	7,711	—	7,711	—
Forward foreign exchange contracts	63	—	63	—
Cross currency interest rate swaps	134	—	134	—
Financial liabilities disclosed at fair value				
Interest bearing loans and borrowings	37,393	37,393	—	—

There have been no transfers between categories within the fair value hierarchy during the year.

The fair values of the financial assets and financial liabilities measured at fair value included in the Level 2 category above, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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41 FINANCIAL INSTRUMENTS CONTINUED

41.4 FAIR VALUE HIERARCHY CONTINUED

The available for sale investments are categorised within Level 3 of the fair value hierarchy. Note 15 provides a reconciliation of the opening balance to the closing balance of the available for sale investments.

During the year ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, accounts payable and related party payables. The main purpose of these financial liabilities is to raise finance for the Group's operations, business combinations and acquisition of property, plant and equipment. The Group has various financial assets such as operating financial assets, available for sale investments, trade and other receivables and cash and short-term deposits, which arise mainly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency swaps, forward currency contracts and commodity options and contracts. The purpose is to manage the interest rate risks, currency risks and commodity price risks arising from the Group's operations and sources of finance.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised as follows:

MARKET RISK

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise the following types of risk: interest rate risk, foreign currency risk, commodity price risk and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2013 and 2012.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and available-for-sale debt instruments.
- The sensitivity of the relevant consolidated income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2013 and 2012 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign subsidiary at 31 December 2013 and 2012 for the effects of the assumed changes in the underlying.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and short-term deposits with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2013, after taking into account the effect of interest rate swaps, approximately 85% of the Group's borrowings are at a fixed rate of interest (2012: 84%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings and deposits, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax and equity is affected as follows:

	Effect on profit before tax AED million	Effect on equity AED million
2013		
+15 increase in basis point	(18)	749
-15 decrease in basis point	18	(879)
2012		
+15 increase in basis point	(17)	621
-15 decrease in basis point	17	(736)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense are denominated in a difference currency from the functional currencies of the subsidiaries), carrying values of assets and liabilities in Canadian Dollars, Euros, Moroccan Dirhams and Indian rupees and the Group's net investment in foreign subsidiaries.

The Group hedges part of its net exposure to fluctuations on the translation into AED of its foreign operations by holding certain borrowings in foreign currencies, primarily in Euros.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro, GBP, CAD, Moroccan Dirham and Indian rupees exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in foreign currency translation reserve). The Group's exposure to foreign currency changes for all other currencies is not material.

	Increase/ decrease in Euro, GBP, Moroccan Dirham, Indian rupees and CAD rates	Effect on profit before tax AED million	Effect on equity AED million
2013			
	+5%	167	2,173
	-5%	(167)	(2,173)
2012			
	+5%	48	966
	-5%	(48)	(966)

The movement in equity arises from changes in Euro borrowings in the hedge of net investments in the Netherlands. These movements will partly offset the translation of the Netherlands' operations net assets into AED.

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31 DECEMBER 2013

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

COMMODITY PRICE RISK

TAQA GEN X LLC, a subsidiary of TAQA is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase of gas and sale of electricity. Due to volatility in the prices of these commodities, the subsidiary's management has developed and enacted a risk management strategy regarding commodity price risk and its mitigation. The Group mitigates the commodity price risks using forward commodity contracts.

The following table shows the effect of price changes on the fair value of the forward commodity contracts on the profit before tax:

	Change in year end price	Effect on profit before tax AED million
2013	+10%	(62)
	-10%	62
2012	+10%	(153)
	-10%	153

The Board of Directors of TAQA approved a commodity hedging policy in the summer of 2010, which authorised management to enter into financial derivative contracts to manage the Group's exposure to commodity price volatility. TAQA North, a subsidiary of TAQA, developed and enacted a risk management strategy regarding commodity price risk and implemented a hedging programme using zero cost collar contracts to mitigate the risk of crude oil and natural gas price volatility. In the second quarter of 2012, the commodity hedging programme was suspended and as such there was no outstanding commodity hedges as at 31 December 2013. The following table shows the effect of price changes on the fair value of the zero cost collars of crude oil and natural gas at 31 December 2012:

	Change in year end price	Effect on profit before tax AED million	Effect on equity AED million
2012	+10%	10	29
	-10%	(11)	(29)

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur.

EQUITY PRICE RISK

The Group's listed and unlisted securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

At the reporting date, the exposure to unquoted available for sale investments at fair value was AED 583 million (2012: AED 509 million). A change of 5% in overall earnings stream of the valuations performed could have an impact of approximately AED 29 million (2012: AED 25 million) on the equity of the Group.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and other financial instruments.

Trade and other receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other form of credit insurance. The Group's largest 2 customers account for approximately 72% of outstanding trade receivables and amounts due from related parties at 31 December 2013 (2012: 70%). The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 23. The Group does not hold collateral as security.

Other financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy. Investments of surplus funds are made only with reputable banks and financial institutions. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2013 and 2012 is the carrying amounts as illustrated in note 24 except for derivative financial instruments. The Group's maximum exposure for derivative instruments is disclosed in note 41 and in the liquidity table below, respectively.

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is that the amount of borrowings that mature in the next 12 month period should not cause the current ratio to be less than 100%. During 2013, 8% of the Group's debt will mature in less than one year (2012: 12%) based on the carrying value of borrowings reflected in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

LIQUIDITY RISK CONTINUED

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2013 and 2012 based on contractual undiscounted payments:

	< 1 year AED million	1-5 years AED million	> 5 years AED million	Total AED million
At 31 December 2013				
Trade and other payables	2,637	1,948	–	4,585
Bank overdrafts	94	–	–	94
Interest bearing loans, borrowings and Islamic loans	13,088	30,178	59,562	102,828
Advances and loans from related parties	66	5	70	141
Loans from non-controlling interest shareholders in subsidiaries	23	16	271	310
Amounts due to ADWEA and other related parties	453	–	–	453
Derivative financial instruments	1,646	5,758	4,576	11,980
TOTAL	18,007	37,905	64,479	120,391
At 31 December 2012				
Trade and other payables	3,399	–	–	3,399
Bank overdrafts	139	–	–	139
Interest bearing loans, borrowings and Islamic loans	11,657	32,789	54,753	99,199
Advances and loans from related parties	73	5	70	148
Loans from non-controlling interest shareholders in subsidiaries	21	6	126	153
Amounts due to ADWEA and other related parties	403	–	–	403
Derivative financial instruments	1,851	6,897	6,361	15,109
TOTAL	17,543	39,697	61,310	118,550

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding reconciliation of those amounts to their carrying amounts.

	< 1 year AED million	1 – 5 years AED million	> 5 years AED million	Total AED million
At 31 December 2013				
Inflows	806	3,103	2,856	6,765
Outflows	(1,646)	(5,758)	(4,576)	(11,980)
Net	(840)	(2,655)	(1,720)	(5,215)
Discounted at the applicable interbank rates	(827)	(2,444)	(1,294)	(4,565)
At 31 December 2012				
Inflows	685	2,601	3,065	6,351
Outflows	(1,851)	(6,897)	(6,361)	(15,109)
Net	(1,166)	(4,296)	(3,296)	(8,758)
Discounted at the applicable interbank rates	(1,149)	(4,058)	(2,701)	(7,908)

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within a range to meet the business needs of the Group. The Group includes within net debt, interest bearing loans and borrowings, Islamic loans, less cash and cash equivalents. Capital includes total equity including non-controlling interests less total cumulative changes in fair value of derivatives.

	2013 AED million	2012 AED million
Interest bearing loans and borrowings	77,330	77,052
Islamic loans	2,255	2,435
Less cash and cash equivalents	(3,946)	(3,807)
NET DEBT	75,639	75,680
Equity	12,314	13,313
Less cumulative changes in fair value of derivatives	4,639	7,829
TOTAL CAPITAL	16,953	21,142
Capital and net debt	92,592	96,822
GEARING RATIO	82%	78%

43 EVENTS AFTER THE REPORTING DATE

(i) Change in functional currency of TAQA North

The primary indicators of functional currency contained within IAS 21 The Effects of Changes in Foreign Exchange Rates indicate that both a Canadian dollar or US dollar functional currency are equally relevant for TAQA North. TAQA North's functional currency is therefore determined based upon the secondary factors contained within IAS 21, whereby the currency of the long term funding determines the functional currency. Prior to 1 January 2014, the long term funding was denominated in Canadian dollars and as such the functional currency was deemed to be Canadian dollars. As of 1 January 2014, the long term funding of TAQA North was redenominated to US dollars and as a result TAQA North changed its functional currency to US dollars. In accordance with the requirements of IAS 21, the change has been applied prospectively, with all of TAQA North's assets, liabilities and equity items being translated into US dollars at the exchange rate on 1 January 2014. The cumulative translation adjustment associated with TAQA North will remain in equity and only be adjusted on disposal or partial disposal of TAQA North.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

31 DECEMBER 2013

43 EVENTS AFTER THE REPORTING DATE CONTINUED

(ii) Commodity price risk

During January 2014, TAQA North entered into a series of derivative financial contracts to mitigate the risk of natural gas price volatility during 2014. There were no cash premiums paid on any of the contracts and the counterparties are major Canadian banks.

(iii) Cancellation of Treasury Shares

On 4 February 2014, the Board approved the cancellation of 158,713,000 treasury shares (see note 25).

(iv) Acquisition of Indian Hydroelectric plants

On 2 March 2014, TAQA announced that it has agreed to acquire, through a consortium group, the Baspa Stage II and Karcham Wangtoo hydroelectric plants in the northern state of Himachal Pradesh, India, from Jaiprakash Power Ventures Limited, a subsidiary of Indian infrastructure conglomerate Jaypee Group. TAQA holds a 51% stake in the consortium and will control the operations and management of both facilities under the proposed deal. The equity invested by the consortium in the acquisition of the two hydroelectric plants will amount to approximately INR 3,820 crores (AED 2,263 million), of which 51% is from TAQA. The consortium will also acquire the assets' non-recourse project debt.

44 COMPARATIVE INFORMATION

Certain comparative numbers were reclassified to conform to the current year presentation. Such reclassifications as discussed below have no effect on the previously reported profit or the equity of the Group.

Consolidated income statement:

- Recovery of intangible asset amortisation of negative AED 17 million for the year ended 31 December 2012 previously shown under administrative and other expenses has been reclassified to depreciation, depletion and amortisation.
- Dry hole expenses of AED 144 million for the year ended 31 December 2012 previously shown under operating expenses have been reclassified separately as dry hole expenses.
- Other investment income of AED 7 million for the year ended 31 December 2012 previously shown under other gains and losses has been reclassified separately as other investment income.

The impairment loss on available for sale investment of AED 83 million for the year ended 31 December 2012 previously shown separately has been reclassified to other income.

Consolidated statement of comprehensive income:

The impairment loss on available for sale investments of AED 83 million recognised in the consolidated income statement previously shown separately has been reclassified as part of the changes in fair value of available for sale investments.

Consolidated statement of cash flows:

- The impairment loss on available for sale investments of AED 83 million previously shown separately has been reclassified to other non-cash adjustments.
- Amortisation of deferred expenditure previously reclassified to accounts payable, accruals, and other liabilities is now shown separately.

GLOSSARY OF TERMS

ADWEA

Abu Dhabi Water and Electricity Authority, a governmental authority that owns 51.1% of TAQA's share capital

ADWEC

Abu Dhabi Water and Electricity Company, a subsidiary of ADWEA and the sole buyer of water and power production in the UAE

AED

UAE Dirham

Barrel

Measure of crude oil equal to 42 US gallons, 35 imperial gallons or 159 litres

bbl

The abbreviation for barrel

bpd

Barrels per day

bcf

One billion cubic feet of gas

boe

Barrels of oil equivalent. A figure used when expressing the combined volume of oil and gas reserves, which is calculated at a ratio of 6 mcf per boe

boed

Barrels of oil equivalent per day

GWh

Gigawatt/hour

Mcf

Thousand cubic feet

MENA

The region covering the Middle East and North Africa and also extending to Turkey, Iraq and India

MIG

Million imperial gallons

MIGD

Million imperial gallons per day

mmbbl/d

Millions of barrels of oil per day

mmboe

Millions of barrels of oil equivalent

mmbtu

one million BTU

MW

Megawatt

MYR

Malaysian Ringgitt (in reference to TAQA's Sukuk programme)

Moody's

Moody's Investors Service

Operator

In Oil & Gas this refers to the company that organizes the exploration and production programs in a property on behalf of all the interest holders in the property. In Power & Water it refers to the organisation that manages the day to day operations of a power plant

PGI

Piek Gas Installatie, our Netherlands-based peak-shaving facility. A peak-shaving facility is used for storing surplus natural gas that is to be used to meet the requirements of peak consumption later during winter or summer

Probable reserves

Those unproved reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves. (Society of Petroleum Engineers: www.spe.org)

Proven reserves

Those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. If deterministic methods are used, the term 'reasonable certainty' is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. (Society of Petroleum Engineers: www.spe.org)

Red Oak

Tolling agreement and related rights in which TAQA holds an 85% interest in conjunction with Morgan Stanley. The Red Oak tolling agreement is for the 832 MW CCGT Red Oak power plant in Sayreville, NJ, located in the PJM (Pennsylvania, New Jersey, Maryland) power region and owned by AES

Reserve Replacement Ratio

The amount of new reserves found in a year compared to the amount of oil produced in that year

Reservoir

A rock or formation that holds hydrocarbons within the pore spaces between individual grains

S&P

Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, Inc.

TAQA

Abu Dhabi National Energy Company PJSC

2P RESERVES

Proven and Probable reserves

NOTES

Abu Dhabi National
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Delivering large complex projects
in challenging environments



Developing alternative
and advanced
technology solutions



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