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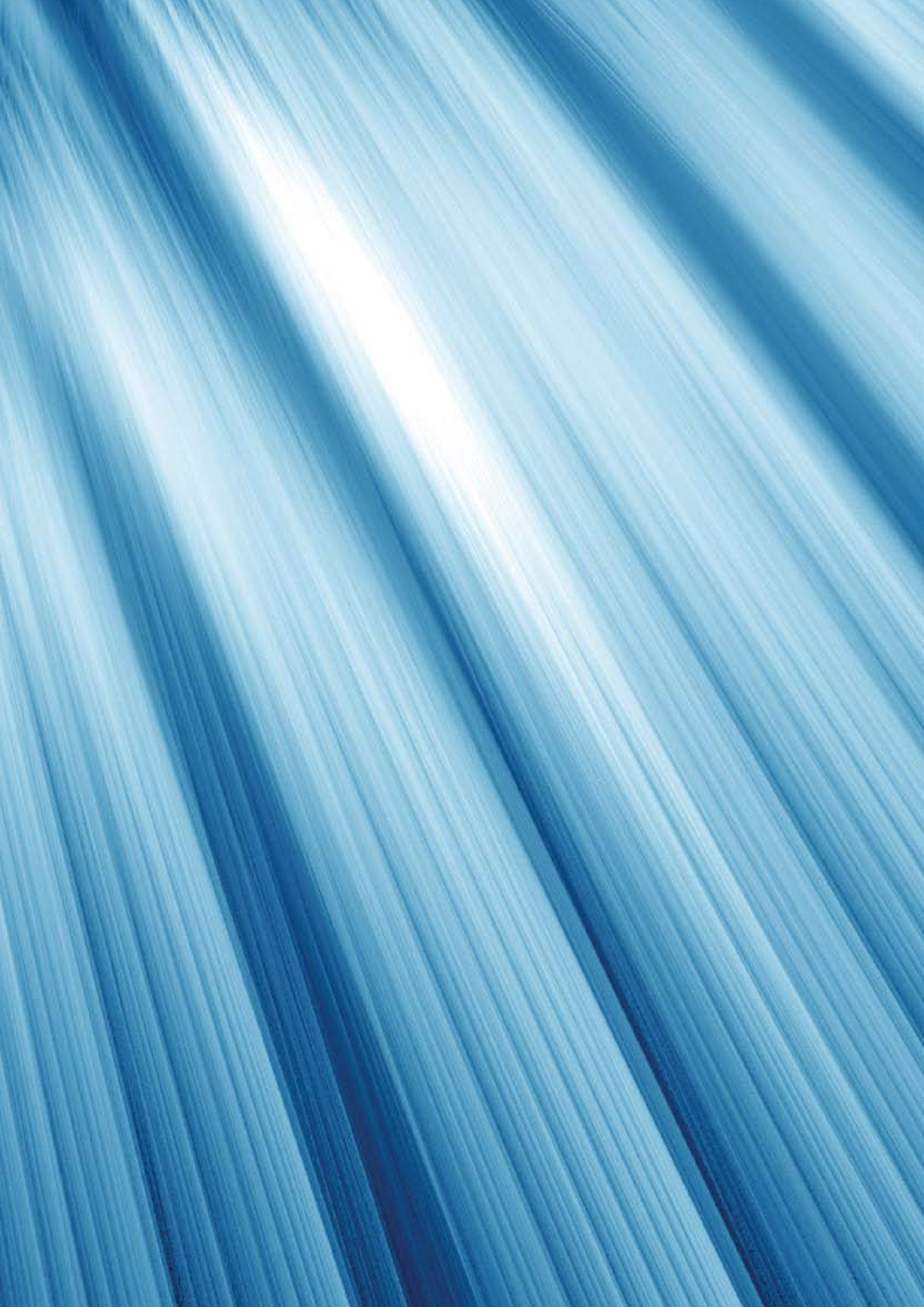
tabreed

ANNUAL REPORT 2009



HH Sheikh Khalifa Bin Zayed Al Nahyan

President of the UAE & Ruler of Abu Dhabi

HH Sheikh Mohammed Bin Rashid Al Maktoum

UAE Vice President & Prime Minister
& Ruler of Dubai

HH Sheikh Mohammed Bin Zayed Al Nahyan

Abu Dhabi Crown Prince &
Deputy Supreme Commander of the UAE Armed Forces

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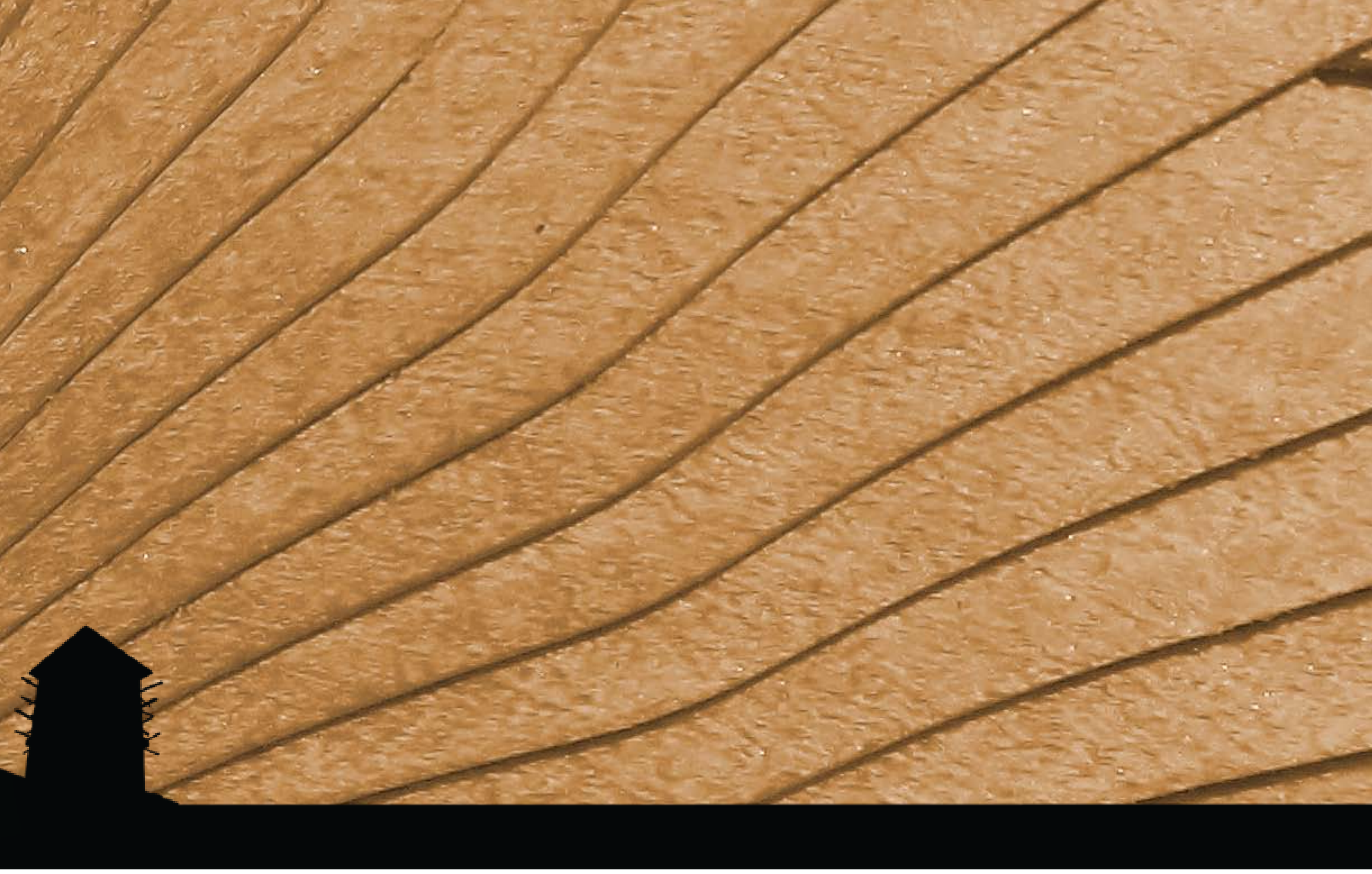
Preface

Rebuilding the Foundation

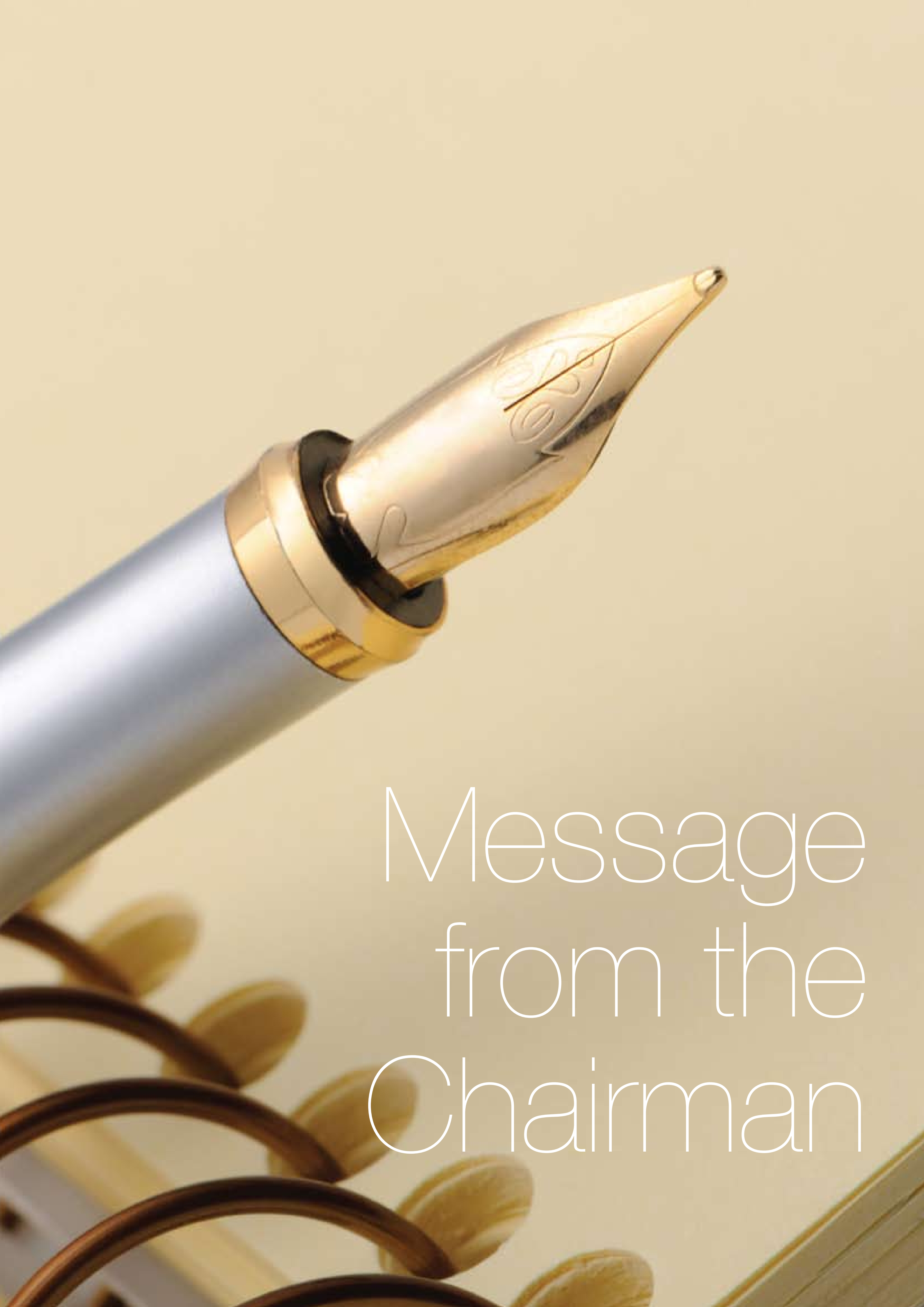


Preface

History has proven that economic downturns are a fact of business life. But the past decade's record-breaking economic growth seemed to temporarily obscure this reality, so much so that when the worst of the financial crisis hit home, hardly anyone came out of it unscathed.

Indeed, 2009 was a tumultuous year for nearly everybody, and in the midst of the bleak economic climate a new consciousness emerged in the business world. Once again, we were all reminded that careful management during times of economic turmoil is a critical business capability. The downturn became an opportunity for companies to look hard and dig deep, find measures to survive the downturn and seek new routes along the company's roadmap.

At Tabreed, 2009 meant going back to the fundamentals of a utility company within the context of a constantly changing world and new business climate. It was a time for re-evaluating our priorities and re-aligning our goals, rebuilding our business models, and establishing and employing operating procedures that would make us more resilient to change. 2009 was the year Tabreed focused on rebuilding the Company's foundations.



Message from the Chairman

Message from the Chairman

Khadem Abdulla Al Qubaisi
Board Member and Chairman

2009 was a year of fundamental change for Tabreed. As the financial meltdown swept through economies around the world, Tabreed thought better than to merely wait for the storm to end. Instead, Tabreed made monumental changes not only to enable us to survive, but also to better position the Company for long-term growth.

As your Board Chairman, I am pleased to say that after a year that focused on improving the Company's business fundamentals and 'getting back to basics', Tabreed is now well-placed to capitalize on its strong core business of chilled water. Indeed this is evident from the underlying revenues and profits from this core business revealed in our 2009 year-end results. The decisions and changes made in 2009 were not easy, and with the new management team of seasoned utility experts embedded and well on their way to rebuilding the Company from the ground up, I am confident that once the recapitalization plan is completed, Tabreed has a strong future.

Tabreed took advantage of last year's economic crisis by focusing on consolidating our resources and strengthening our capital and operational structure so that when the economy recovers, we will be front and center and well prepared to ride the next wave of economic expansion in the region.

Corporate Governance

As a Company listed on a regional exchange, Tabreed places absolute priority on trust amongst all our stakeholders. This is why at Tabreed, we conduct our business in a manner that reflects our commitment to high ethical standards, institutional integrity and sound corporate governance.

The economic maelstrom of 2009 was not only an opportunity to return to the business fundamentals – it was also a chance to re-evaluate how we embed our corporate governance structure throughout the Company. By hiring Tabreed's first-ever Chief Risk and Audit Officer, we ensured that our corporate governance structure provided benchmarks against which to measure the effectiveness of decision making and implementation throughout the Company, the Board in managing the Company, and the new management team in fulfilling responsibilities towards the Company and its shareholders. A revised governance framework that was implemented in 2009 is now influencing our focus on shareholder value as well as ensuring the Company's financial continuity.

Importantly for 2009, we effected significant changes to our corporate governance and institutional code of conduct which will be fully-discussed in a separate section of this report. This reflects our full commitment to the constant review and improvement of all our policies, processes, controls and reporting systems to ensure our compliance with all regulatory requirements.

The year that was

Last year was a period of transition for Tabreed, with new appointments for key management positions, revamped governance process as well as the re-positioning of several projects. At the same time, it was a period of reinforcing our legal, commercial, corporate finance, corporate communication, projects and treasury teams. We also reviewed our cost structure and control, improved our liquidity and sought sources of vital capital to be able to continue to meet the region's infrastructure needs and, at the same time, safeguard the financial health of the Company.

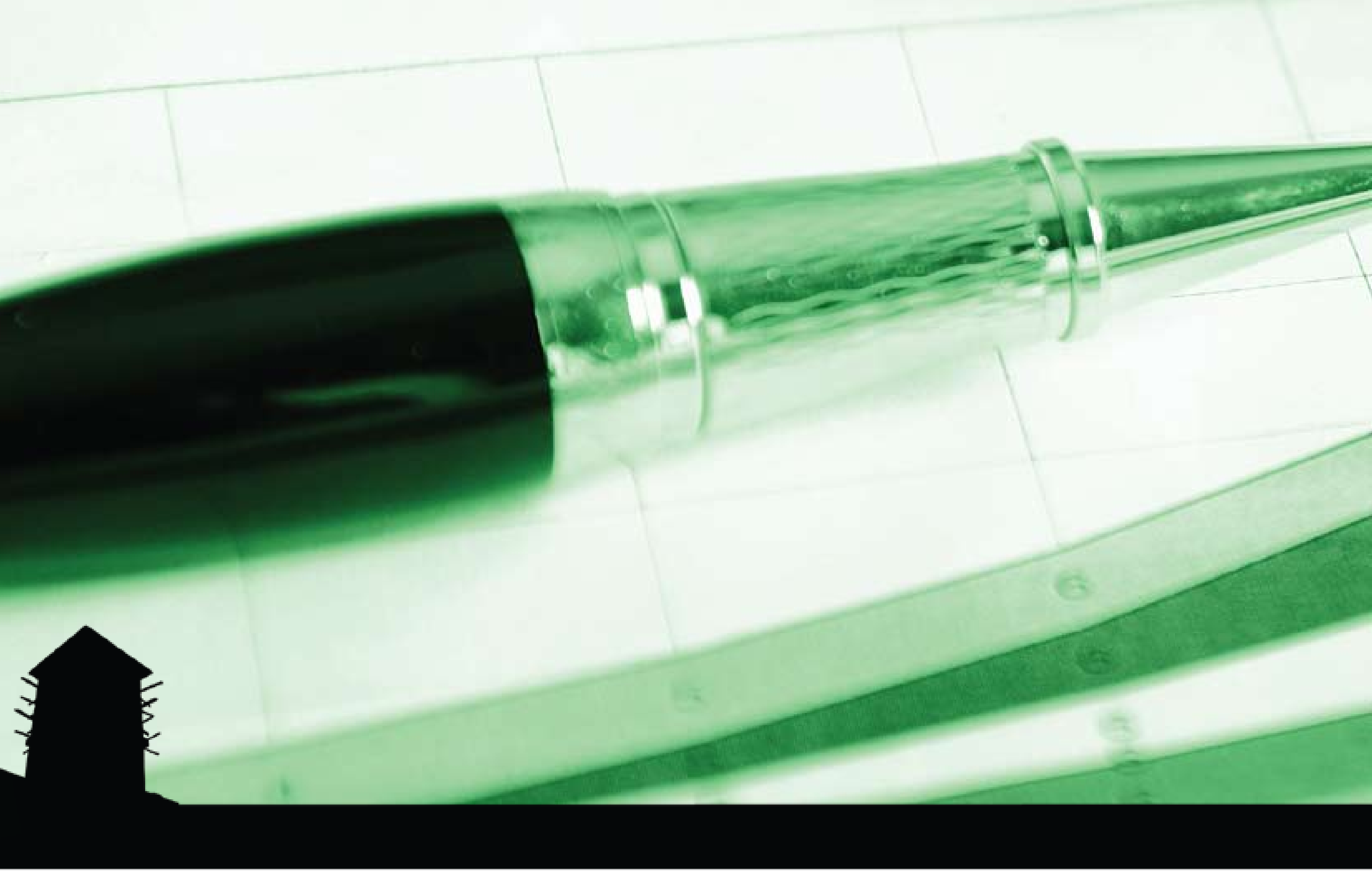
Throughout 2009, Tabreed's Board of Directors and the new management team remained focused on preserving capital as well as strengthening our balance sheet in a time of economic distress so that the Company can continue to invest in future profitability and growth. Our aim going into 2010 is to build and maintain a more flexible capital structure to support our projects and capital expenditure so that we can continue to grow our business and maximize value for shareholders.

The challenge in 2010

The ongoing challenging global economic scenario makes it difficult to predict our results with absolute certainty as we enter 2010. However, what we can guarantee is that the fundamental changes we have put in place in 2009 will no doubt cushion the negative impacts of the economic slowdown to the Company.

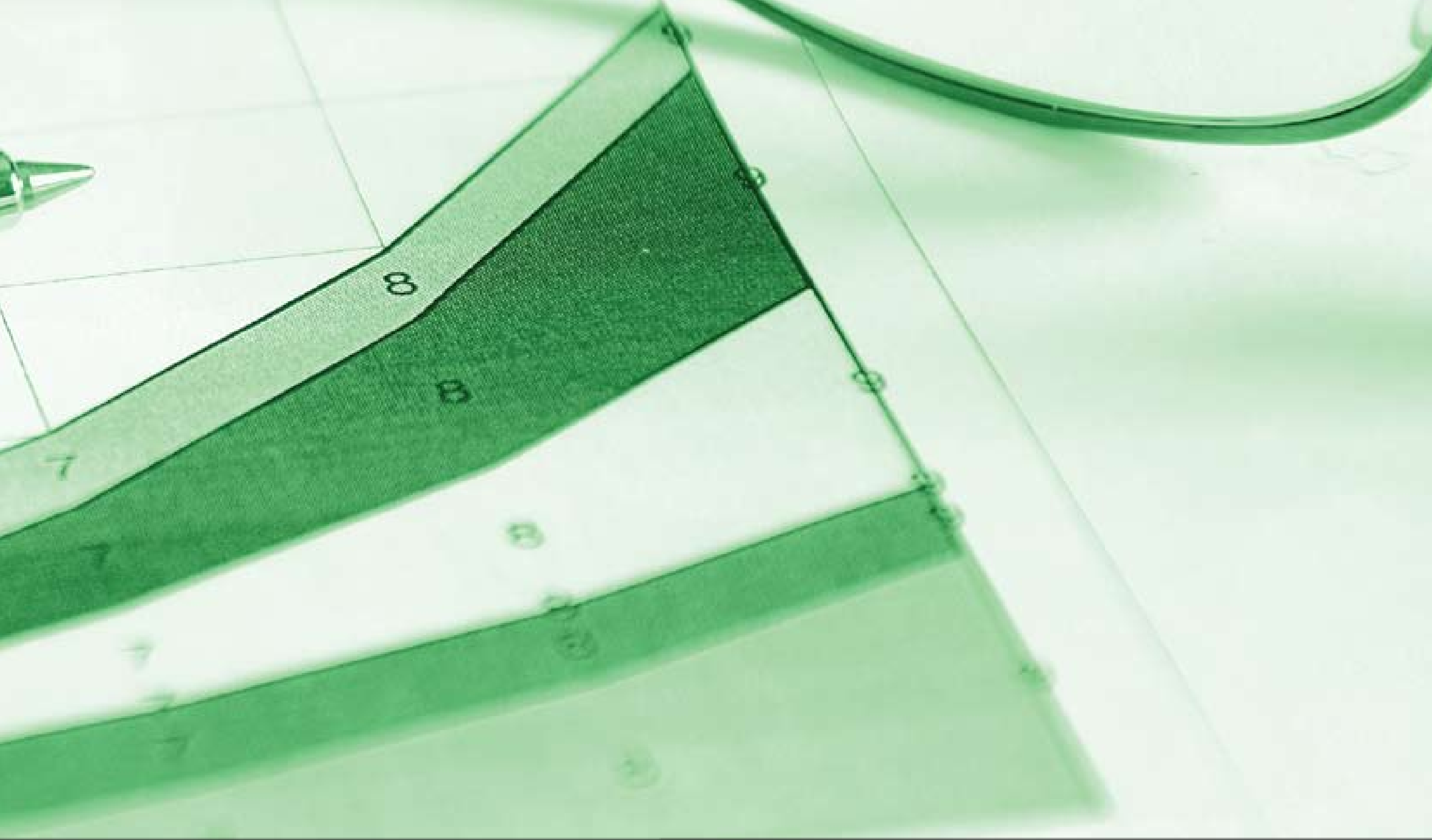

Schedule Sales

Business Summary



Business Summary

Founded in 1998 as part of the Abu Dhabi Offsets program, National Central Cooling Company (Tabreed) is the leading provider of district cooling services in the Middle East. Over the past eleven years, we have grown to be the world's largest commercial district cooling utility company, with 36 cooling plants in operation and another 16 plants under construction as of the end of December 2009. The Company is well-regarded in the global district energy sector as a pioneer in the use of district cooling. Tabreed shares are listed on the Dubai Financial Market.



In addition to its core business of producing and delivering chilled water, Tabreed's subsidiary and affiliate companies provide the full complement of services vital for the district cooling industry. From pipe manufacturing and plant construction to water management and insurance, these companies ensure that Tabreed can deliver the full scope of services to the district cooling industry. In the UAE, Tabreed's district cooling is now widely-used in residential and business districts and institutional settings such as college campuses and in the UAE Armed Forces. Tabreed also has ventures in other regional markets including Qatar, Saudi Arabia, Bahrain, Oman, and Kuwait.

What is District Cooling?

In its simplest form, district cooling is the distribution of cooling from a centralized source to multiple buildings. This is done by producing chilled water at a central plant and then piping the water to customers for their air-conditioning needs. The extensive pipe networks that deliver the chilled water are buried deep underground. Buildings that employ district cooling eliminate the need for expensive, noisy rooftop air-conditioning chillers and benefit from reduced energy costs over the long-term.

Simple DC Process

- A central plant chills water and then a primary water circuit distributes it through an underground insulated pipe network to buildings
- A secondary water circuit in the customer's building circulates the cold water
- Air is then forced past the cold water tubing to produce an A/C environment
- The warmer water of the primary circuit is returned to the central plant to be re-chilled and recycled

District Cooling Benefits

District cooling systems provide a variety of benefits, both qualitative and economic. The qualitative advantages are perceived in terms of better comfort, better reliability, and the elimination of ugly and noisy rooftop chillers.

The economic benefits can be experienced by both the owner and the tenant or end-user, where the capital costs of control panels, internal power distribution, annual maintenance and power consumption inside the building are reduced and the cost of rooftop chillers, which have a much shorter lifespan, is eliminated.

District cooling not only helps to cool the users of offices, homes, industry and educational premises, but also contributes to alleviating the challenges posed by the high electricity needs of traditional air conditioning. Since traditional conditioning consumes around 70 per cent of total building energy and constitutes about 70 per cent of the peak electric demand, by shifting the electricity load from individual locations to a central plant, the electric load is reduced substantially and along with it the generating capacity and associated electricity distribution infrastructure.

District Cooling Benefits

- Improves efficiency through economies of scale
- Reduces energy costs
- Reduces construction costs of buildings up to 10 per cent
- Reduces maintenance costs
- Improves air quality and temperature control provided to tenants/end-users
- Reduces noise
- Improves energy consumption efficiency
- Reduces pollution and CFCs

Markets In Which We Operate

Tabreed was founded in the UAE but has now spread its wings far and wide into the region. Having proven that district cooling is a more environmentally friendly and economically efficient cooling system, we have attracted government agencies along with commercial customers and built a substantial portfolio of district cooling projects.

The GCC is the ideal market for district cooling, not only due to the naturally dry and hot climate but more so because of the unprecedented urban growth and development in the region over the past 10 years. In summer, air conditioning accounts for 70 per cent of peak demand for electricity. On the other hand, there is a strong outlook for district cooling market despite the global economic crisis thanks primarily to new developments and the region's growing consciousness towards energy efficiency, particularly in the UAE.

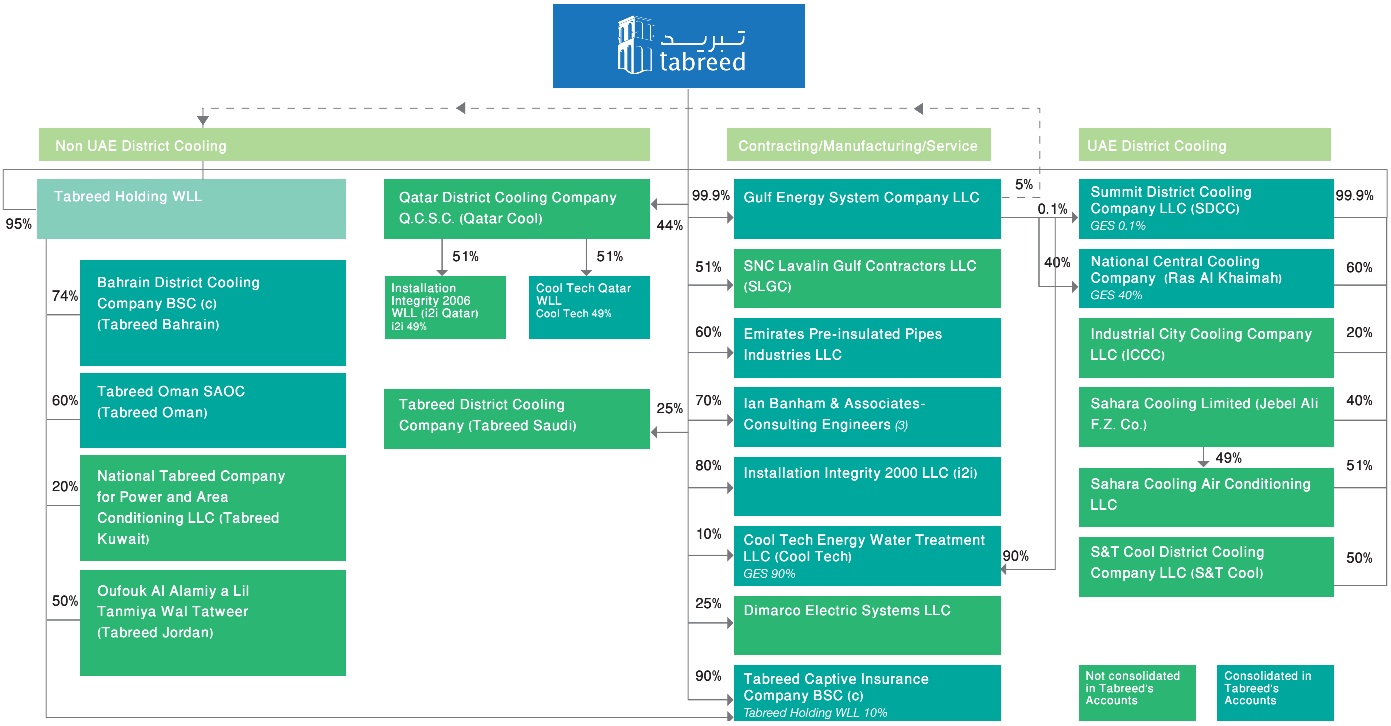
Why the Cooling Industry is Indispensable to the Region

- Hot, humid climate
- Dense urban development
- Rapid economic growth
- Extensive new developments
- High per capita spending in general and specifically on air conditioning

Affiliates and Subsidiaries

Through its subsidiaries and affiliates, Tabreed offers the full complement of services vital to the district cooling industry.

Corporate Structure Chart



Chilled Water

Qatar Cool

Qatar District Cooling Company, also known as Qatar Cool, is a private sector joint venture company owned by United Development Company, Tabreed and other private Qatari investors. Qatar Cool provides district cooling services for the public, commercial and industrial sectors in various locations in Doha and Qatar. The company currently has two projects in Qatar – West Bay covering 67,000 TR, and The Pearl Qatar – the largest district cooling project in the world planned to provide up to 130,000 TR.

Sahara Cooling and Air Conditioning

Sahara Cooling Limited, a joint venture between Tabreed, Sumitomo and J-Power, supplies chilled water mainly to military customers and also to private sector customers in Al Ain.

Bahrain District Cooling Company

Bahrain District Cooling Company is a private sector joint venture company owned by Tabreed, Esterad and A.A. Bin Hindi Group. The company is focusing its efforts on two schemes including the Diplomatic Area and Marina West. In addition, the company has a number of potential new developments in the Kingdom.

Saudi Tabreed

Saudi Tabreed is a closed joint stock company established in Saudi Arabia. The major partners are AQWA Power, RASD International and Tabreed. Saudi Tabreed will be providing district cooling services to a vast number of developments throughout Saudi Arabia.

Tabreed Oman

Tabreed Oman, an Omani closed joint stock company, is a partnership between Tabreed WLL and a group of Omani shareholders comprising Ministry of Defense Pension Fund, the Diwan of Royal Court Pension Fund, the ISS Pension Fund, PMA International Ltd. and Private Projects Development Co. LLC. As a new company established in 2008, Tabreed Oman has secured contracts for 10,000 TR and is focused on securing long-term commitments from reputable customers, having signed concession agreements with the Oman Government for the industrial area in Sohar and the IT Park in Muscat.

Tabreed Kuwait

Tabreed Kuwait, also known as Tabreed National for District Cooling and Power, is a limited liability company owned by Tabreed and a local Kuwaiti partner. The company is in the process of being restructured into a private joint stock company. Currently the company is engaged in a campaign to highlight the district cooling benefits to government agencies and real estate developers as well as pursuing a number of opportunities in a country where, historically, district cooling started more than 50 years ago.

Construction

Gulf Energy Systems

Gulf Energy Systems LLC is a leading end-to-end contracting company that provides MEP, infrastructure and civil contracting services to the district cooling industry. Established in 1995 as the precursor to Tabreed, the company has a strong track-record of accomplishments in executing engineering, procurement and construction contracts (EPC) for the UAE's Armed Forces and the UAE-based master real estate developers.

Gulf Energy Systems takes part in most of Tabreed's district cooling projects from inception, design and build of plants and piping networks to the conversion of existing buildings to district cooling technology.

SNC-Lavalin Gulf Contractors LLC

SNC-Lavalin Gulf Contractors LLC (SLGC) is a joint venture between SNC-Lavalin International Inc. and Tabreed. The company was established in 2004 to provide innovative district cooling solutions based on integrated services and knowledge of the GCC. SLGC provides a number of services which includes engineering, procurement, construction, automation, commissioning, project management and facilities management. SLGC has signed contracts for more than 500,000 refrigerated tons, making it the largest provider of district cooling plants in the region.

Manufacturing

Emirates Pre-insulated Pipes Industries

Established in 2000, Emirates Pre-insulated Pipes Industries (EPPI) specializes in the engineering and manufacturing of thermally pre-insulated piping systems for district cooling and heating schemes. EPPI's 50,000 sqm manufacturing facility in Abu Dhabi is equipped with advanced manufacturing technologies, underpinning EPPI's capacity to cater to the constantly changing demands for pre-insulated piping systems in both the region and in the UAE.

EPPI also provides application engineering support, on-site technical assistance and installation supervision in addition to handling all pipe fabrication processes. The combination of a highly-skilled workforce with advanced technologies, reliable piping materials and efficient production methods means that EPPI is the supplier of choice for district cooling companies in the UAE.

Services

Ian Banham & Associates

Tabreed acquired a 70 per cent interest in Ian Banham & Associates in October 2004. With offices in Abu Dhabi, Dubai, Sharjah, Bahrain, Bangalore (India) and an associated office in Oman, the company provides professional, mechanical and electrical engineering services to clients throughout the Gulf region.

CoolTech

CoolTech specializes in providing a complete range of water quality and mechanical services that enables cooling service companies to maintain the operational efficiency and optimize the longevity of their equipment in a safe and environmentally-friendly manner. CoolTech is the most experienced provider of cooling services in the region, servicing over 1 million tons of client-installed capacity. The company is proud of its many ISO certifications: ISO 14001 - 2004, OHSAS 18001 - 2007 and ISO 9001 - 2008. CoolTech's offering includes water quality products and services, cooling tower, evaporative condenser and fluid cooler maintenance including commissioning, installation supervision, mechanical maintenance and providing hygiene services and water recycling.

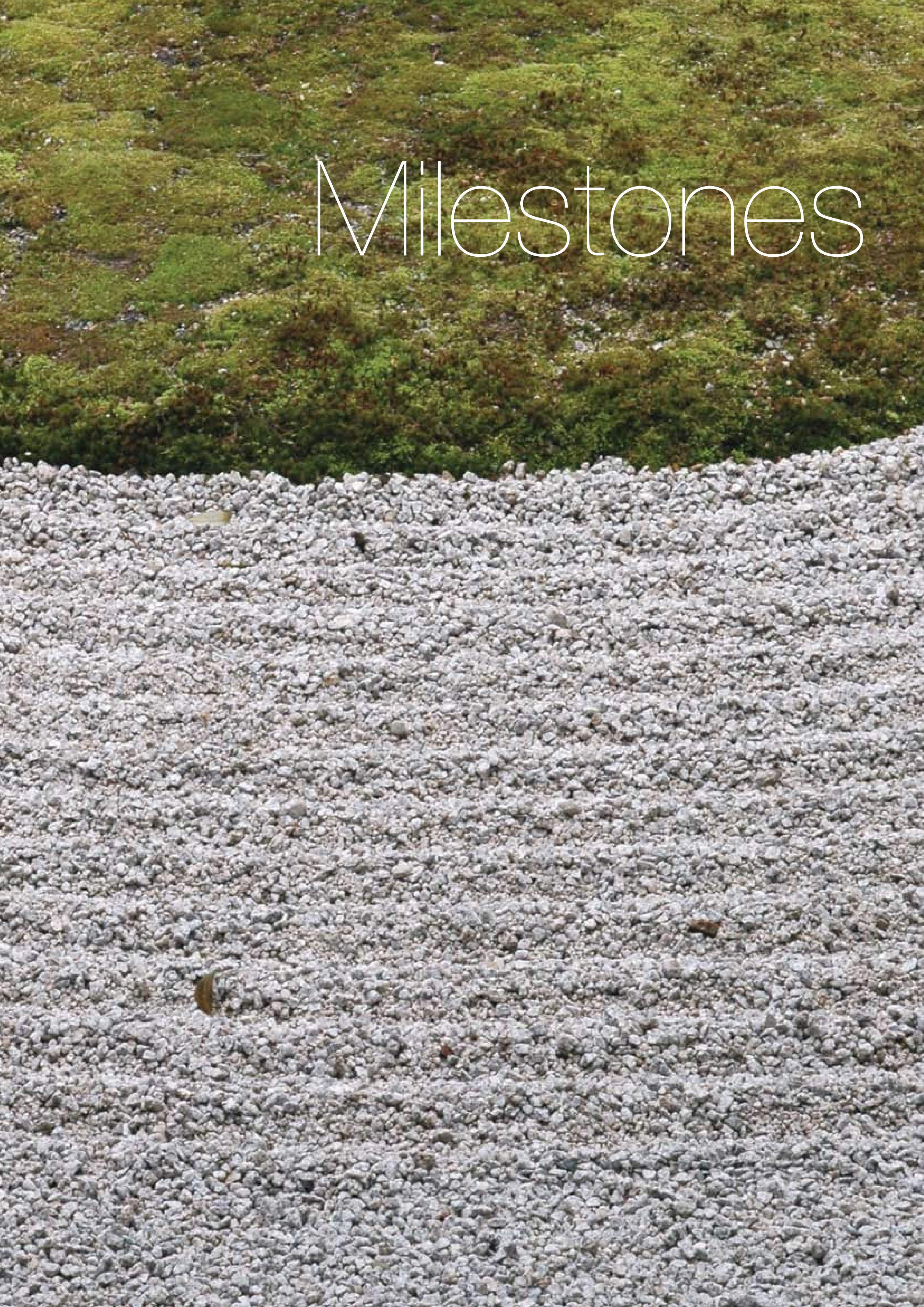
i2i

i2i is a leading provider of independent HVAC technical services across Europe, the Middle East and Africa. The i2i team comprises highly-qualified and experienced engineers and technicians who are dedicated to providing tailor-made HVAC services that cater to individual requirements. A user-friendly approach and strong administrative support combined with state-of-the-art calibrated equipment enable i2i to provide professional technical services of international standards to both new and existing buildings. i2i currently offers 28 services that can be categorized under the following: independent HVAC testing and balancing, independent commissioning management, building services surveys and operating and maintenance manuals - both conventional and electronic format.

Tabreed Captive Insurance Company

Tabreed Captive Insurance Company is wholly-owned by Tabreed and provides insurance cover for Tabreed assets in the UAE and Bahrain. Its objective is to enable Tabreed to maintain control over its insurance procurement and risk management functions. The company has delivered positive financial results since its inception in 2007.

Milestones



Milestones

11 Years in Review: A Story of Steady Growth

Tabreed is well-placed to reap the benefits of the district cooling industry's unrelenting growth in the GCC region. Founded in 1998, we are the Middle East's first commercial district cooling company and one of the world's largest district cooling operators.

Despite the entrance of other industry players in the past years, we continue to be a key infrastructure partner not only to our customers but also to the UAE's progress as a whole. We remain a central figure in Abu Dhabi's vision of environmentally-sustainable development.

Through the years, Tabreed has celebrated several milestones that contributed to our current stature of being one of the most-awarded and most-respected district cooling utilities in the world.

1998

Tabreed was established in June with offices in Abu Dhabi and Dubai.

1999

Commissions its first plant room located in Suweihan at Zayed Military City. The plant room was designed to run on natural gas.

2000

Signs a Master agreement with GHQ.

Tabreed's Ras Al Khaimah plant room is commissioned to serve Al Manar Mall and other commercial and residential clients.

2001

20-year contract with Al Ain Municipality awarded.

Supplies chilled water to Al Ain new Vegetable and Fish Market.

2002

Noor al Maarif School, the UAE's first school to use Tabreed's district cooling services.

Fujairah Water and Power Plant, the first in the UAE to harness the naturally abundant resources of seawater to keep the plant at a regulated temperature.

2003

Obtains three ISO certifications for the production and supply of chilled water for district cooling in the region.

Completes two district cooling schemes at Abu Dhabi's Zayed Military City development.

Signs with UDC and launches Qatar Cool, Tabreed's first JV in the GCC.

2004

First dividend for shareholders announced: 3% on the AED10 per share price.

20-year contract with Ras Al Khaimah Free Trade Zone (RAK FTZ); linked services to RAK FTZ's own district scheme to serve the free zone offices.

Garners two most coveted gold awards from International District Energy Association (IDEA).

Signs with Esterad and AA Bin Hindi in Bahrain to launch Tabreed Bahrain.

2005

Partners with ALDAR Properties to deliver services to all future projects.

Expands operations in Ajman through our contract with Real East Investment Corporation's Al Rashidiya Towers.

Signs with Dubai Metro to supply cooling to the entire project.

Record-breaking annual net profit of 62% increase over 2004, posting revenues of AED 400.9 million.

Increases Rights Issue Capital from AED 500 million to AED 1 billion.

Share split from AED 10 nominal to AED 1 nominal.

2006

Signs with Saudi Arabia's A. Abunayyan Group to launch Saudi Tabreed.

Signs a 50-50 joint venture with Abdali Investment and Development PSC and started the Jordan District Energy PSC (Tabreed Jordan).

Establishes offices in Oman and launches Tabreed Oman.

Tabreed Bahrain begins working on the Kingdom's first district cooling network.

Wins IDEA's two gold awards for the second time.

2007

Wins IDEA's Global Partner and two gold awards due to a load of 473 buildings covering a total of 13.9 million square feet.

Wins the Middle East Insurance Forum's Innovation Award for Tabreed Captive Insurance Company with our collaborative venture with Ensurion, a Bahrain-based captive insurance management specialist.

2008

Shareholders elect new Board of Directors and name Khadem Abdulla Al Qubaisi as the new chairman during the Annual General Meeting.

Approves a proposal to distribute bonus shares worth AED 79.38 million, accounting for 7% of the capital against the company's results for 2007.

The only utility company to receive an award from the 8th Sheikh Khalifa Excellence Award.

2009

Appoints new Managing Director - Khaled Al Qubaisi.

Appoints new CEO - Sujit S. Parhar.

Appoints new CFO - Steve Ridlington.

Tabreed's Qatar subsidiary, Qatar Cool, serves the first villa in The Pearl of Qatar, the world's largest district cooling scheme, supplied by one single plant of 130,000 TR.

Dubai Metro project launched on 9th September 2009.

Inaugurates the Yas Island plant; provides district cooling to Yas Marina Circuit for the 1st F1 Grand Prix.

Mission Vision Corporate Strategy

Mission Vision Corporate Strategy

Mission

We harness the most efficient technology and utilize our extensive experience to deliver reliable and energy efficient utilities that generate sustainable long-term returns for our stakeholders.

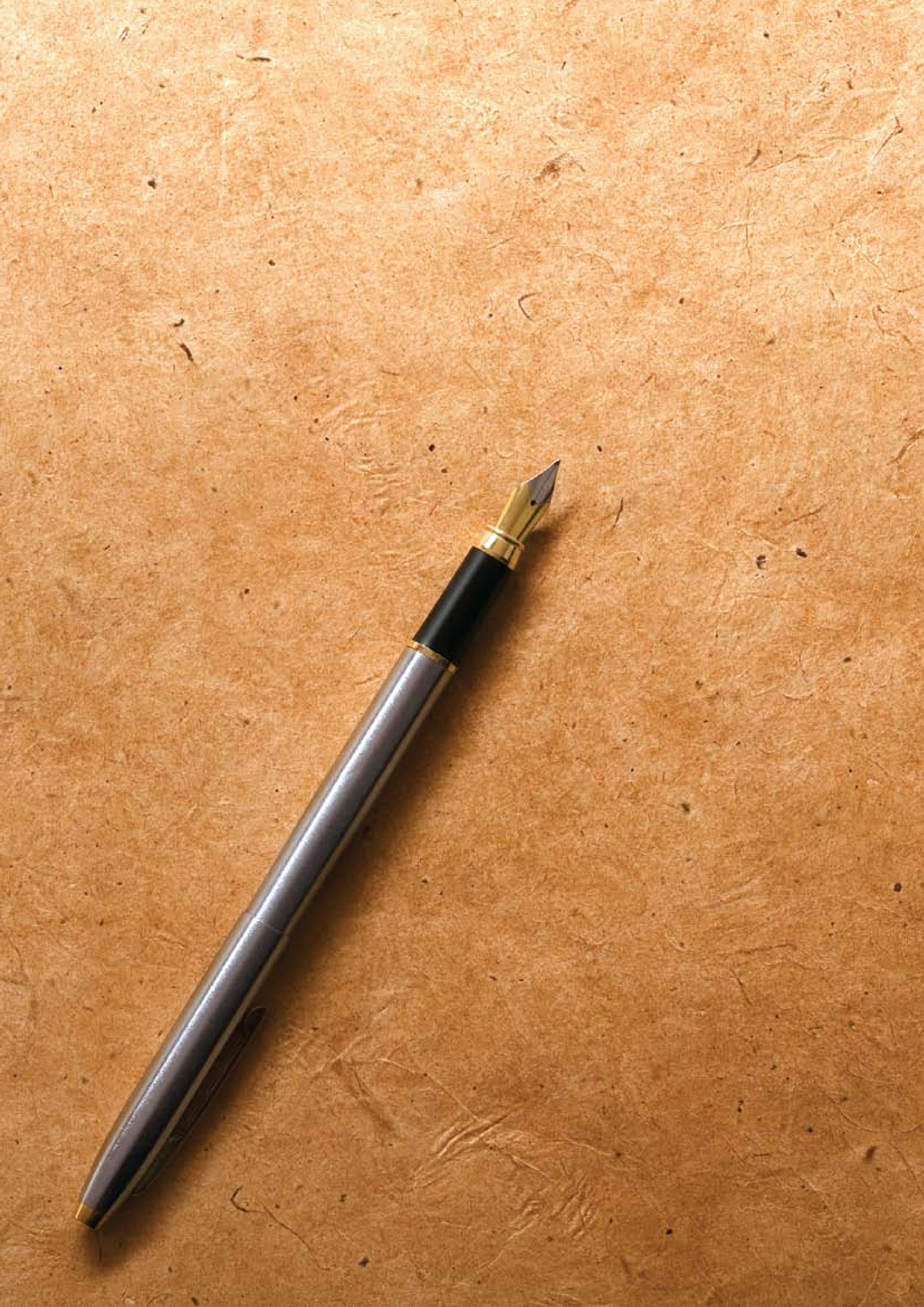
As the region's preferred provider of cooling solutions, we focus on our customers' needs and deliver comfort, value and service to all the communities we serve.

Vision

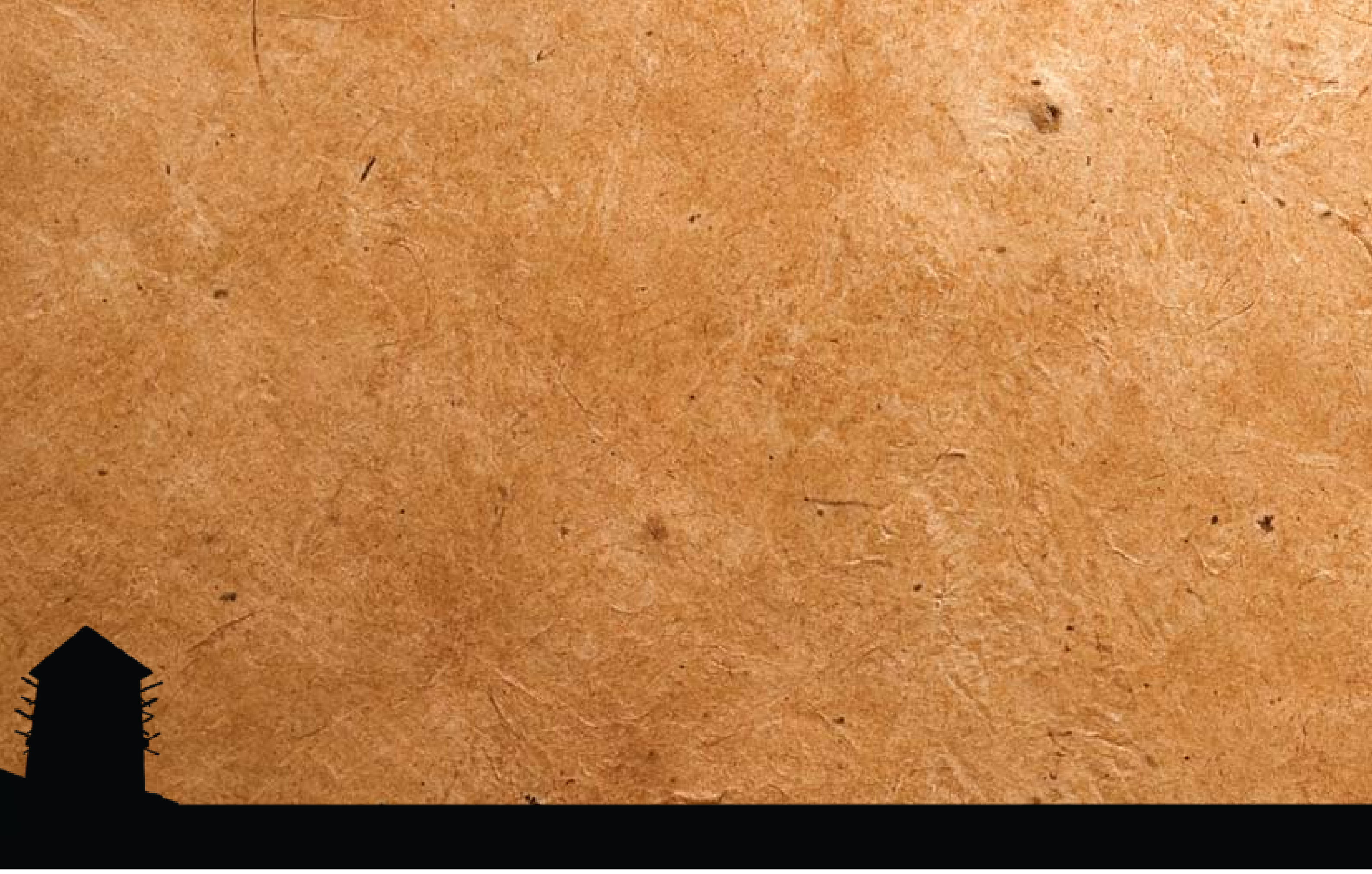
As an integral part of the region's growth, we will be the leading utility company, delivering and operating district cooling infrastructure, while creating sustainable value for our shareholders as we maintain the comfort of the communities we serve.

Corporate Strategy

- Maintain a utility company business model that offers long-term, stable and consistent returns on investments for shareholders
- Consolidate our position as partner of choice for governments and corporate entities in the region
- Capitalize on our established regional presence, strong reputation for delivery and pioneering operational offering
- Exceed customers' expectations by delivering high quality, energy and cost-efficient products and services on budget and on-time



Message from the CEO



Message from the CEO

Sujit S. Parhar
Board Member and Chief Executive Officer

2009 will always be seen as one of Tabreed's most difficult years. The global financial crisis that started in 2008 and continued throughout 2009 tremendously increased the difficulty Tabreed faced in raising funding to complete its ongoing projects. These projects, which at the beginning of 2009 represented an unprecedented growth in Tabreed's capacity of district cooling plants, were then further hampered by the slowdown of the real estate sector in the region resulting in a large number of delays and cancelations of customer off-take dates and the associated revenues.

Tough times call for bold measures, and this is exactly what the Board of Directors mandated for the Company. In early 2009, a new management team was brought on board to conduct a strategic review of the business model to strengthen the processes of the Company and to develop a business plan that would be robust enough to endure the financial crisis, while ensuring that Tabreed and district cooling remain an integral part of the UAE's growth plans.

Despite all these odds, I am truly happy to report that after a very challenging year, Tabreed has successfully ridden through the worst of 2009, and in spite of announcing the Company's first-ever annual loss due to a whole suite of non-cash items, the operating profitability of the Company showed a decent growth. And this, as we all know, is what utilities companies are made of — stable, long-term, sustainable and recurring financial performance.

The new management team and the bold changes implemented will ensure that we continue to remain as the UAE's infrastructure partner of choice long into the future.

Other changes the new management team put in place include stricter performance measurement tools so that everyone is aligned with the same vision, mission and strategy and are held accountable to deliver against performance targets. Our priority is to establish the right metrics and incentives to promote and reward consistent performance and discourage short-term behavior. This is a long-term process, one which the entire team is committed to deliver.

We also carefully reviewed our business model that led us to focus on value-engineering future plants and networks. Our priority is to work according to strict needs assessment, best-in-class design, delivery and operations while ensuring firm commitments from customers in advance of investing in new plants as well as to secure a long-term financing structure for the business.

Crucial to any utility company's success is the cost structure and control mechanisms to maintain liquidity. The new management team was focused on just this, to secure better capital raising solutions in the face of the economic distress. We started to make progress on improving our efficiencies for existing operations and focused on reducing costs and corporate overheads while improving our operational efficiencies, so that we can continue to meet the region's infrastructure needs and, at the same time, safeguard the financial health of the Company.

The past year provided the perfect environment for Tabreed to re-evaluate the Company's fundamentals and look closely into the organization's structure, processes and business strategy in order to be ready for the economic rebound. 2009 allowed us to build stronger foundations that will pave the way for a solid future—one that is not assailed by shaky ground or vulnerable pillars.

Rebuilding the Company's foundations doesn't mean going back to square one. It simply means that we are not resting on our laurels and being complacent. It means that we are strengthening the foundations of the Company and actively mapping our way forward armed with a clearer and more solid blueprint by focusing on getting things right—the right people, right processes and right solutions grounded on firm values and shaped by the world we live in today.

What Lies Ahead

District cooling is still at its infancy stage in the UAE and the entire GCC region, but its potential for growth is epic. Forecasted to swell by an additional massive 20 million tons in the next ten years, this fledgling part of the utility sector now faces critical issues that need to be addressed to support this growth.

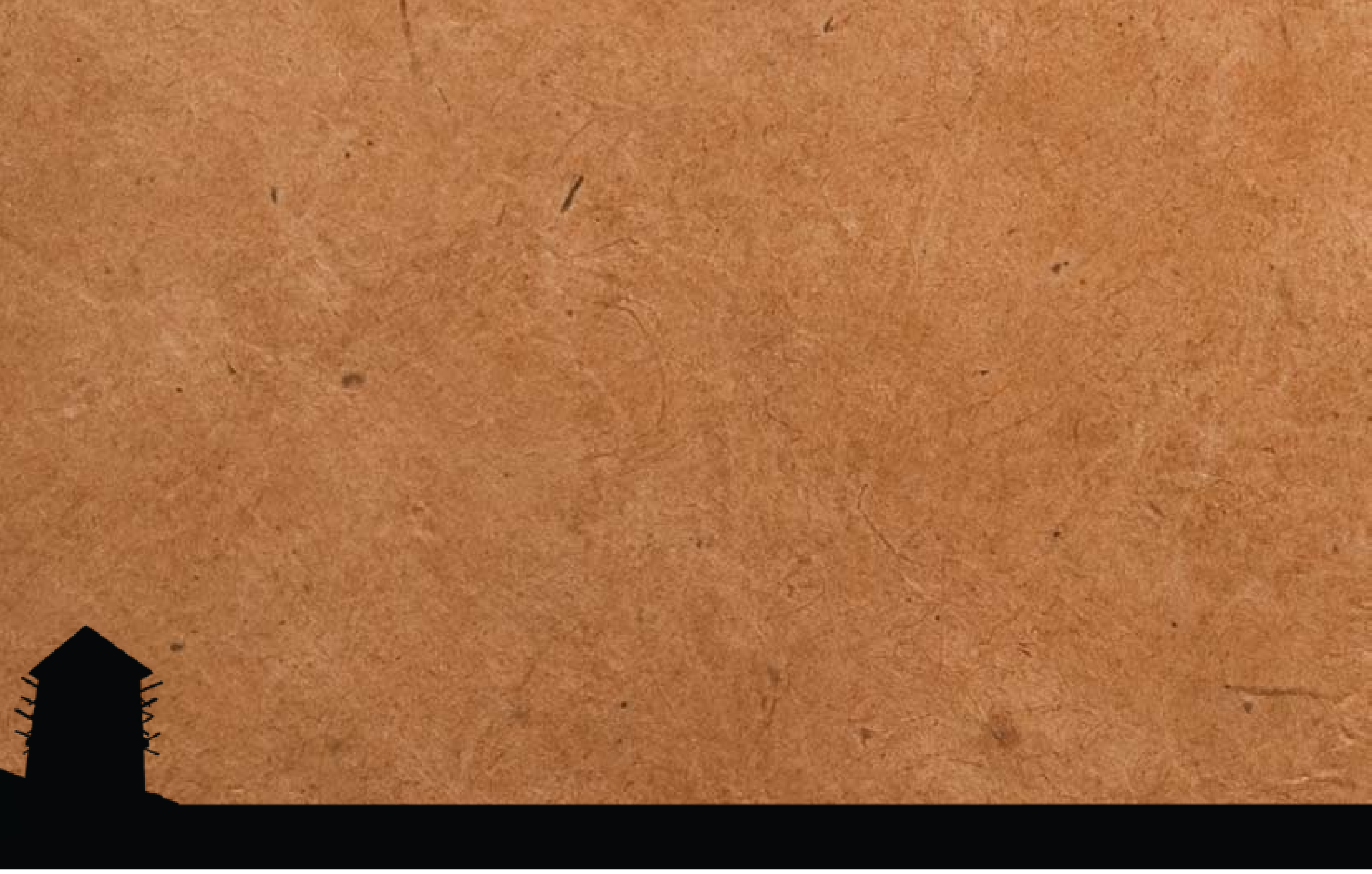
There is an urgent need to establish a regulatory authority to give structure and solidity to a burgeoning industry, advance best practices, create standards for professional conduct in design and build of plant systems, and set up a creative pricing benchmark. In the very near future, I would like to see a more organized, disciplined, structured, and competitive industry. And I would like to see Tabreed take the lead in the development of the district cooling sector in the UAE and the entire GCC region.

While we are looking forward to a new year, we are also fully aware that 2010 will not be a walk in the park. But the difference is, now more than ever, after a fundamental reform of Tabreed's foundations, we are more equipped for the challenges on the road ahead.

Significant Highlights of 2009

- Appointment of a new Managing Director
- Appointment of a new Chief Executive Officer
- Appointment of a new Chief Finance Officer
- Appointment of a new Chief Audit and Risk Officer
- Tabreed's Qatar subsidiary, Qatar Cool, serves the first villa in The Pearl of Qatar, the world's largest district cooling scheme, supplied by one single plant of 130,000 TR
- Inauguration of Yas Island plant provided district cooling to Yas Marina Circuit for the 1st F1 Grand Prix

Message from the CFO



Message from the CFO

Steve Ridlington
Chief Finance Officer

It has been a year since I joined Tabreed as the Company's new CFO. As I reflect on the past twelve months, I am pleased to report that despite the hurdles we have had to overcome and the difficulties we have encountered, the foundations have been put in place to provide for the Company's long-term success.

A year ago, the Company I joined was underperforming; shareholder returns were unacceptable, and our debt burden was growing. There is no doubt that Tabreed was a victim of the financial downturn as the Company's fortunes are tied very closely to those of the regional real estate sector.

In late 2008, the global economic crisis had severely curtailed the availability of long-term financing and brought the property boom to a halt, both globally and regionally. This made raising funds in last year's market conditions extremely difficult and the raising of long-term debt finance impossible. The crisis coincided with Tabreed's unprecedented expansion program of around 2 billion CAPEX per year, 90 per cent of which requires external funding. The impact on Tabreed was profound and included a severe liquidity squeeze, increasing difficulty in funding the ongoing capital expenditure, and a sharp curtailment of customer demand for chilled water.

Strategic Review

In early 2009 the Board of Directors asked the management team to undertake a comprehensive review. The results of the review revealed three key conclusions:

- Tabreed's business model needs to be substantially revised
- The level of cash flow we can prudently expect from some of our assets does not support the current assets on the balance sheet and an impairment must be taken
- Tabreed's balance sheet needs to be recapitalized

As a result of the strategic review, three recommendations made by the management team were approved by the Board of Directors: (1) Declare a non-cash impairment charge of AED 1,161 million for 2009 to reflect the long-term value of projects in light of the bleak economic condition; (2) Secure a short-term financing facility from Mubadala Development Company of AED 1.3 billion to provide funding while Tabreed completes a recapitalization program; and (3) submitting to the Tabreed shareholders a recapitalization plan.

The Board approved the submission of this recapitalization plan to shareholders. The plan aims to achieve a stable long-term financial profile and capital structure for the company by first, entering into discussion with strategic investors to provide long-term capital necessary to support the development of the business and second, enabling Tabreed to proactively engage with creditors.

Options for new capital include a private placement and/or public offering. As part of the planned recapitalization program, senior-debt financing will be available until the end of 2010 and may be converted to long-term capital. The recapitalization of the Company may be done through capital reduction or the issuance of new capital raising instruments and arrangements with creditors, banks and Sukuk holders.

2009 Results

The economic downturn inevitably impacted our results for 2009, most obviously through the impairment charge. This loss is largely attributed to a non-cash impairment charge that reflects our assessment of the long-term value of some of our projects. The write-down mainly relates to projects under development for which demand is assessed to be curtailed, delayed or cancelled. Unfortunately, we have very little recourse when it comes to customers compensating us for lower demand because of inadequate protection for Tabreed in the off-take contracts. This is an aspect of the business we have now addressed.

Whilst the overall 2009 results were disappointing, it is important to highlight that Tabreed's core business operations – the supply of district cooling to our customers across the GCC – performed well in 2009, and indeed the results for the year surpassed those of 2008.

Our total revenue for the past year was posted at AED 742 million, a slight increase from the previous year, while our gross profit was AED 291 million. Our core chilled water business played a significant role in generating revenues for 2009, which rose by 29 per cent compared to 2008. This solid performance reflected three new plants (UAE University in Al Ain, Yas Island and T-7) and several new customers coming online. Total billed capacity for chilled water was 339,572 tons, an increase of 65,371 tons from 2008.

With 16 cooling plants and two plant expansions under construction as of 31st December 2009, of which 13 plants and one plant expansion are expected to come online in 2010, we expect to add a further 148,300 tons of cooling capacity this year.

I am also pleased to report that contracting revenues in 2009 derived from Tabreed's 100 per cent owned contracting subsidiary, Gulf Energy Systems, increased by 38 per cent in 2008 due to major piping network contracts including Sowwah Island and Al Reem Island. Whilst our manufacturing and service business generally performed less well in 2009 reflecting the economic downturn, the business delivered profit from operations of AED 291 million in 2009 and this augurs well for the future.

There is no doubt on my mind that 2010 will be very challenging as we work to complete the current construction program, implement the recapitalization plan, and seek to improve business performance in what remains a difficult market. However, I look forward to these challenges, and I firmly believe that exciting times lie ahead as we seek to continue the good work of 2009 and deliver improved performance.

Board of Directors

Board of Directors

Khadem Abdulla Al Qubaisi

Board Member and Chairman

HE Khadem Al Qubaisi was promoted to the position of managing director in International Petroleum Investment Company (IPIC) in May 2007. IPIC is Abu Dhabi's flagship government company for foreign hydrocarbon sector investment with consolidated assets valued in excess of $46 billion. Since assuming his new role, Al Qubaisi – working closely with IPIC's chairman, HH Sheikh Mansour Bin Zayed Al Nahyan – has dramatically expanded IPIC's investment footprint, both in sectoral and geographical terms.

Al Qubaisi's short time in IPIC's top management position has also seen the company entrusted with strategic domestic investment projects of key significance: the ADCOP trans-UAE crude oil pipeline, and now a 40 per cent shareholding in Chemaweyatt – a massive strategic initiative, which will turn Abu Dhabi into a petrochemicals superpower. Al Qubaisi has emerged as a key player in mapping Abu Dhabi's economic future.

Trained in economics, Al Qubaisi began his investment career with Abu Dhabi Investment Authority. He takes a hands-on approach to investment evaluation and management, leading most of major price negotiations and diligence assignments undertaken by IPIC. He has been the driving force behind IPIC's adoption of a convertible bond investment strategy and IPIC's acquisition of a majority stake in AABAR Investments PJSC, which recently acquired a near 10 per cent stake in Daimler, the maker of Mercedes-Benz cars. Al Qubaisi has pioneered the development and deployment of advanced in-house valuation and quantitative techniques within IPIC.

Al Qubaisi's accomplishments have been rewarded with peer recognition both within the UAE and internationally. He was voted the Arabian Businessman of the Year for 2009 in the UAE and also received the coveted #1 Award as the ICIS Power Player of the Year 2009.

Al Qubaisi represents IPIC as the chairman of Hyundai Oilbank, the Korean refiner/marketer, and as vice chairman of OMV, the Austrian national oil company. He is also chairman of Borealis AG, in which IPIC owns a controlling 64 per cent interest.

Borealis owns a 40 per cent stake in Borouge, an Abu Dhabi petrochemicals JV, in partnership with ADNOC. Within Abu Dhabi, Al Qubaisi chairs four boards – AABAR Investments PJSC; Tabreed; Takaful and I-Media newspaper. He is also a board member of First Gulf Bank and the Emirates Investment Authority.

Waleed Ahmed Al Mokarrab Al Muhairi

Board Member and Vice Chairman

Waleed Ahmed Al Mokarrab Al Muhairi is the COO of Mubadala Development Company. His primary responsibilities are to oversee the strategic, operational and business development activities of the Mubadala Group. In addition to overseeing Mubadala's international acquisitions, Waleed is globally responsible for leading Mubadala's diverse business portfolio across a broad range of industries and sectors such as energy, industry, infrastructure, healthcare, aerospace, technology and real estate.

Waleed is also a key member of Mubadala's Investment Committee. The Investment Committee's mandate is to develop the overall investment policies of the Mubadala Group for approval by the Board to establish investment guidelines in furtherance of those policies and to review all proposed new investments and projects in order to ensure that they are in line with Mubadala's strategy and vision.

In addition to his position as COO of Mubadala, Waleed is a member of the Board of Directors of several key Mubadala Group and other operational businesses. He currently serves as chairman of the Board of Directors for YahSat, Mubadala Infrastructure Partners, Advanced Technology Company (ATIC) and Cleveland Clinic Abu Dhabi. He is also vice chairman of both Tabreed and the LeasePlan Corporation and director of AMD, du, Piaggio Aero Industries and Abu Dhabi Future Energy Company (Masdar).

As a policy-maker, Waleed has been able to utilize his wealth of experience from the private sector in key public leadership positions within Abu Dhabi. He is director general of the Abu Dhabi Council for Economic Development, which was established to facilitate economic diversification and growth through creating greater understanding, cooperation and engagement between the public and private sectors within Abu Dhabi. In addition, Waleed serves as chairman of the Board of Directors of Musanada (Abu Dhabi General Services Company), trustee of the Khalifa University of Science, Technology and Research and member of the Khalifa Fund to Support and Develop Small & Medium Enterprise.

Prior to joining Mubadala, Waleed worked with the UAE Offsets Program Bureau as senior projects manager. He brought with him a wealth of experience from McKinsey & Company where he worked as a consultant, advising on a range of commercial and governmental projects.

Waleed holds a masters degree from Harvard University and a Bachelor of Science in Foreign Service from Georgetown University, USA.

Khaled Abdulla Al Qubaisi

Board Member and Managing Director

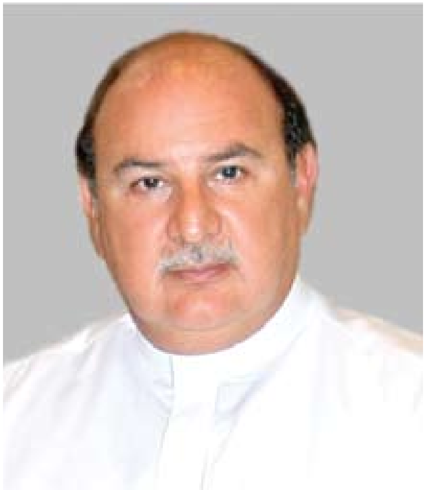
Khaled Abdulla Al Qubaisi is the senior advisor of the Acquisitions Unit of Mubadala. He is also currently managing director of Tabreed and sits on the Board of Directors. As managing director, he is responsible for strengthening and supporting the executive management team of Tabreed, in particular focusing on areas of finance and management.

Khaled joined Mubadala from International Capital where he was the chief investment officer. Prior to International Capital, he was the head of Corporate Finance & Business Development at National Bank of Abu Dhabi, where he was responsible for advising companies on funding requirements, placing debt and equity, and structuring investment products for the bank's retail and private banking division.

Khaled currently sits as chairman of the National Health Insurance Company (DAMAN) and is a board member of Dunia Finance Company, International Fish Farming Company (ASMAK), Manazel Real Estate Company, Finance House, Mubadala GE Capital as well as the National Central Cooling Company (Tabreed). He has been a member of the Chartered Financial Analyst Institute since 2003. Khaled holds a BA in Finance and Operation Management from Boston University and an MSc from George Washington University, USA.

Abdul Raouf Al Bitar

Board Member



Abdul Raouf is a shareholder as well as CEO and managing director of Al Manhal-Nestlé Waters Group of Factories, the largest bottled water producer in Saudi Arabia. He is also chairman of Jordan New Cable Company in Amman, Jordan.

Apart from that, Abdul Raouf currently serves as board member in the following groups of companies: Springs Water Factory – Dammam, KSA; Rivers Water Factory – Jeddah, KSA; Al Manhal Water Factory – Bahrain and Qatar; Nestle Waters H&O – Dubai, UAE; Springs Beverage Factory – Riyadh, KSA; Middle East Molds and Plastic Factory – Riyadh, KSA; Middle East Specialized Cables Factory – Riyadh, KSA; Saudi Pre-Insulated Pipes Industries – Riyadh, KSA; Emirates Pre-insulated Pipes Industries – Abu Dhabi, UAE; Injaz Development Real Estate – Dubai, UAE; Dubai Contracting Company – Dubai, UAE; Saudi Tabreed – Khobar, KSA; Multiforms LLC – Dubai, UAE; Public Mining Company – Amman, Jordan and MESC FujiKura – Amman, Jordan.

Abdul Raouf is a graduate of Bachelor of Science in Civil Engineering from Syracuse University, New York.

Abdulla Khouri

Board Member

His Excellency Abdulla Khouri is the executive director of Government Affairs for the Executive Affairs Authority (EAA) of Abu Dhabi. The EAA is a specialized government agency that provides policy advice to the chairman of Abu Dhabi's Executive Council, His Highness Sheikh Mohammed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi.

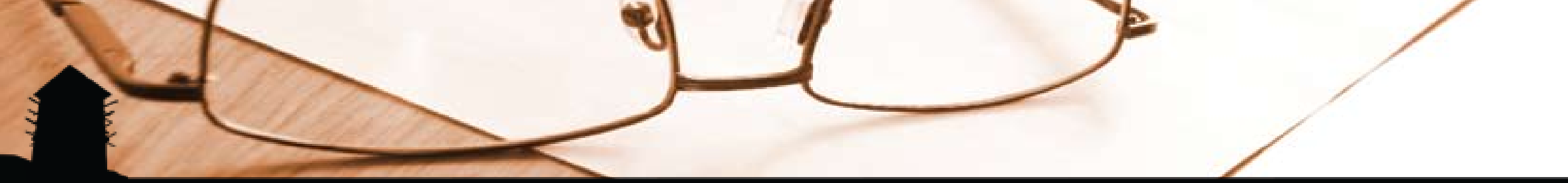
In this role, he oversees and facilitates interactions between the EAA and all relevant domestic and international government agencies. His responsibilities also encompass overseeing the operations of the Office of the Chairman of the EAA.

Prior to being appointed to his position within the EAA, Abdulla headed the Communications and Administration Unit of Mubadala Development Company. He held this position from 2004 to March 2008. During that time, he was responsible for all matters relating to the reputation of Mubadala and its family of companies.

Abdulla began his career by joining the Offset Program Bureau in 1996 where he was also responsible for corporate and organizational communications.

Abdulla sits on the board of Tabreed, the Middle East's district cooling pioneer, Yas Marina Circuit, Emirates Palace Company, and Abu Dhabi's newly established Media Zone Authority.

He is a 1996 graduate of the European University in Geneva where he majored in both Business Administration and Public & Business Communications.



Ali Saeed Al Badi
Board Member

As the current managing director and board member of Abu Dhabi Ports Company, the master developer and regulator of ports and industrial zones in Abu Dhabi, Ali plays a key role in implementing the strategic goals and objectives of the organization. He also provides direction and leadership towards the achievement of the corporate philosophy, vision and goals.

Currently, Ali Badi is a board member of Tabreed and a member of the Union Railway Committee. During the 24 years he spent within the ADNOC Group, Ali has held various senior management positions and has also served as chairman as well as board member of several ADNOC companies.

Ali holds a Bachelor of Science in Business Administration from Indiana University, USA.

Ibrahim Ahmed Al Ansari

Board Member

Ibrahim Al Ansari was appointed general manager for Dolphin Energy Limited (UAE) in October 2007. He had previously served as executive vice president – Operations since March 2004.

He is responsible for all Dolphin activities within the UAE. Prior to joining Dolphin Energy in October 2003 as vice president – Projects, Ibrahim was general manager of Union Water & Electricity Company (UWEC), now incorporated within ADWEA.

Ibrahim Al Ansari worked for Abu Dhabi National Oil Company (ADNOC) for 18 years following graduation. His first senior appointment was as manager of the Engineering Development Department; subsequently, he was manager of the Gas Processing & Pipelines Division at ADNOC's Atheer.

He joined UAE Offsets Group (UOG) in September 2000 as technical specialist advisor before taking up his UWEC appointment in September 2001. He joined Mubadala Development Company in April 2004 as executive advisor. Ibrahim graduated from the Louisiana Technical University, USA in 1982 with a Bachelor of Science in Electrical Engineering.

Ibrahim is a board member of Emirates Aluminum (EMAL), chairman of Mubadala Petroleum Services Company (MPSC), in addition to being a board member of Tabreed.

Khalifa Mohamed Al Mazrouei

Board Member

In January 2009, HE Khalifa Mohamed Al Mazrouei was appointed as general manager of the Municipality of Abu Dhabi City. Through his new role, he plays an integral part in Abu Dhabi's growth and development by handling the expansion of Abu Dhabi and modernizing its facilities, streamlining its processes and investing in human capital to improve overall service delivery.

Al Mazrouei is also chairman and managing director of Abu Dhabi Airports Company (ADAC), which is responsible for the operation and management of services at Abu Dhabi and Al Ain airports. At ADAC, he spearheads the massive expansion of infrastructure and facilities in the emirate's aviation sector.

Since beginning this key position in ADAC in September 2006, Al Mazrouei has galvanized the new organization by focusing on the delivery of the government agenda to provide an environment where the private sector can flourish and deliver on behalf of the customer.

ADAC has responsibility for the operation of existing and future facilities and development of infrastructure for Abu Dhabi and Al Ain airports in addition to a private jet airport in Al Bateen and Sir Bani Yas island airport.

The company also provides technical and management services to the highest international standards of safety, security and efficiency including oversight for airport services provided by private companies, franchisee, and other stakeholders.

Al Mazrouei is an expert in his field and widely recognized for his strengths in financial management and international markets, including managing major projects at Mubadala Development Company.

Closely involved with marketing, due diligence and strategic assessments, operational audits and restructuring plans, Al Mazrouei is involved in many organizations at board level including the Tourism Development & Investment Company (TDIC), Tabreed, Amiri Flight and Al Jazeera Club.

He is also vice chairman of Al Taif Technical Services and chairman of the World Trade Centre, Abu Dhabi.

Sujit S. Parhar

Board Member and Chief Executive Officer

Sujit S. Parhar is the CEO of Tabreed as well as a member of Tabreed's Board of Directors. Sujit is charged with leading the senior management team to ensure the delivery of corporate strategy and overseeing the company's continued growth in the region.

Sujit joined Tabreed in May 2009, bringing extensive experience from the utilities and infrastructure sectors. Sujit brings to Tabreed a considerable track-record of accomplishments for listed utilities companies and has been implementing best-in-class management and operations practices at Tabreed.

Sujit has been involved with the utilities industry across various markets in the Middle East, Asia and the Americas since 1996. Prior to joining Tabreed, Sujit worked for Sembcorp Industries – a Singapore-based utilities company where he was the senior vice president and head of Regional Business Development. In this role, Sujit was responsible for identifying and developing acquisition and greenfield development projects in power and utilities, environmental management, marine and industrial parks.

Sujit holds a Bachelor of Science degree in Civil and Structural Engineering from the Nanyang Technological University in Singapore.

REPORT OF THE BOARD OF DIRECTORS

REPORT OF THE BOARD OF DIRECTORS

Year in Review

We are pleased to report on the activities of National Central Cooling Company PJSC (Tabreed) for the year ended 31st December 2009 – a year that will be recognized in Tabreed's history as one of the most difficult to date. In 2009, Tabreed was pursuing an unprecedented growth program in order to meet the needs of the region's real estate boom and the Abu Dhabi 2030 Urban Structure Framework Plan. However, despite having long-term contracts with all of its major customers, Tabreed was significantly impacted by the global financial and economic crisis and the resultant real estate slowdown in the region. This growth has now been severely curtailed and the Company experienced cancellations, delays and scaling back of projects. All this led to Tabreed share impairment charges being AED 1,161 million and resulting in its first-ever loss of AED 1,118 million for 2009.

In early 2009, the Board of Directors tasked the new management team to undertake a comprehensive review of the Company to understand and address the challenges we face. The review identified key aspects of the Company's business strategy that needed to be revised. First, the capital-intensive nature of what is still a very young industry means there is a constant demand for new capital that outweighs cash-flow generated from the operational plants. Second, the economic crisis has resulted in a debt profile that is very short-term in nature, which accentuates the demand for new capital but also acts as a significant obstacle to new capital coming into the business. Third, there was an urgency to overhaul the manner by which projects were financed. Fourth, new clients would be held to more specific terms in contracts, while re-negotiation with previous customers to sign new contracts is needed. And fifth, we reviewed the capital structure of the Company in terms of attaining the right mix of equity and debt.

Despite a year of economic difficulty, total revenue for the year was AED 742 million, a slight increase from the previous year, while gross profit was AED 291 million. Tabreed's core business of chilled water played a significant role in generating income for 2009 – which rose by 29 per cent. Operational highlights for 2009 included recruiting 12 new seasoned utility sector experts for department director roles, implementing best-practice corporate governance and financial controls, and bringing three new plants online for the year – bringing capacity to 395,100 tons across 36 plants. As of 31st December 2009, Tabreed had 16 new plants and two expansion plants under construction.

Impairment

The declared loss of AED 1,118 million is attributed to a non-cash impairment charge due to a change in the long-term value of projects in light of the current difficult economic climate. The write-down included many projects that are currently in operation or were under development in 2009 and incorporated the impact of delayed or cancelled projects.

Recapitalization

In 2009, Tabreed's new management team undertook a comprehensive review of the Company's project portfolio, contracts, business plan, financial performance, liquidity position and overall capital structure. Based on this review, the management team recommended on 7th March 2009 and the Board of Directors approved:

- Declaring a non-cash impairment charge of AED 1,161 million for 2009
- A short-term financing facility from Mubadala Development Company of AED 1.3 billion to provide funding while Tabreed completes the recapitalization program
- Submitting to the shareholders a recapitalization plan to achieve a stable long-term financial profile and capital structure

Elements of the proposed recapitalization program include seeking shareholder approval to grant the Board of Directors full authority to:

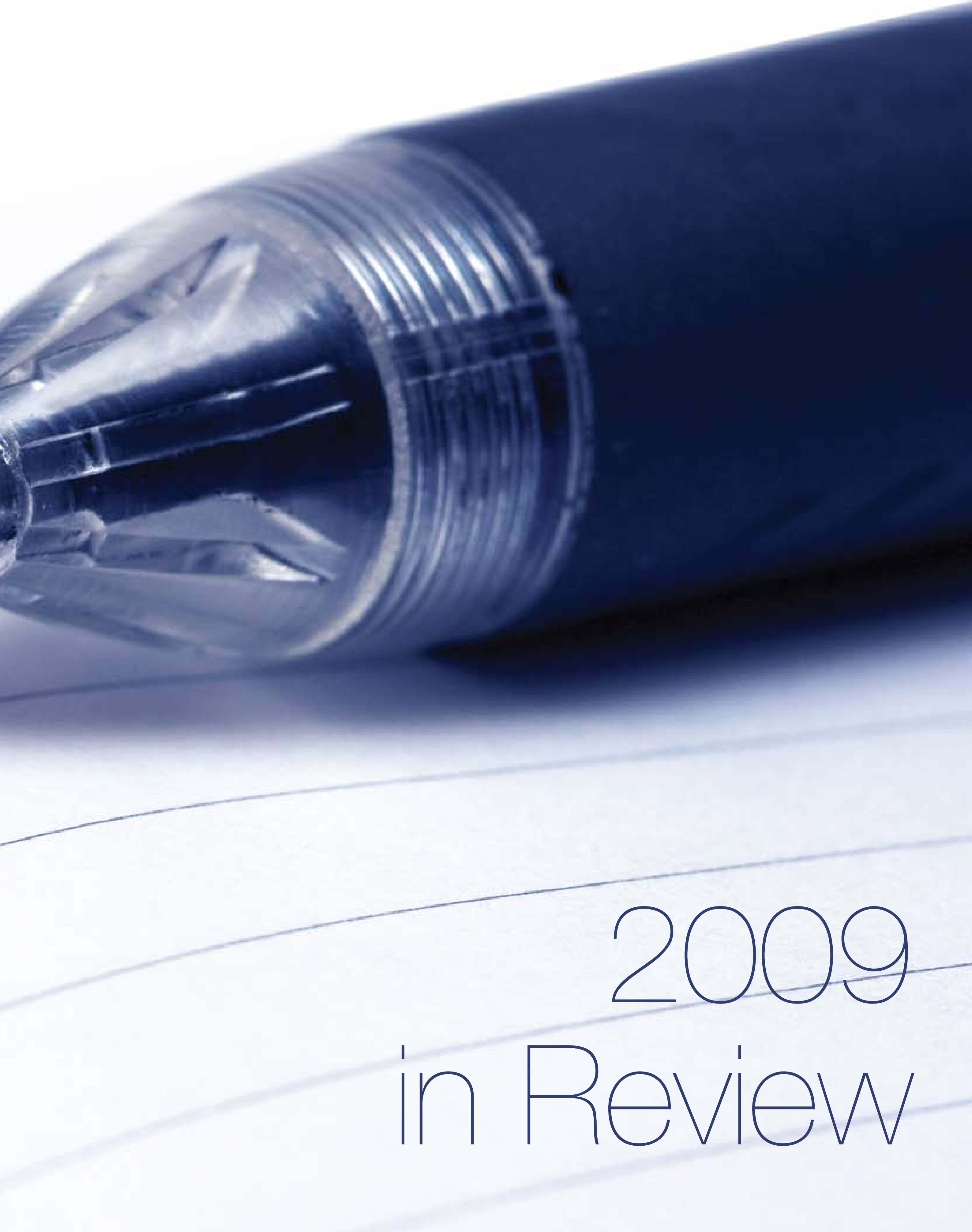
- Effectuate a cancellation of up to 970 million shares of AED 1 each in the Company
- Determine the final terms, timing and implementation of a capital reduction in order to raise new capital
- Effectuate the issue, or guarantee, by the Company of up to AED 4.2 billion of bonds or Sukuk in order to raise new capital
- Enter into such discussions and/or negotiations with creditors of the Company (including banks and holders of the Company's two Sukuks)

On 21st April 2010, an Extraordinary General Assembly will be held in order for the Tabreed shareholders to vote on granting the Board the authority to undertake the recapitalization program.

Dividend

As a result of the Company's 2009 financial results, the Board of Directors does not recommend a dividend distribution for shareholders for the financial year ended 31st December 2009.


2009



2009
in Review

2009 in Review

2009 will be recognized as one of the most difficult to date in Tabreed's 11-year history. The global economic downturn has hit the Company at a time when we were pursuing an unprecedented growth program. The economic pressures were felt mostly in the vanishing sources of vital capital on which we depend to finance our projects and is the very cornerstone of our business plan. Another key area of difficulty was the marked decrease in customer demand that was tied closely to the slowdown in the real estate market.

However, Tabreed's performance in the past year was a testament to our capability to weather business downturns. It is also a validation of our formidable standing in the industry. The past economic year, although turbulent, enabled us to prove our steady commitment to our robust expansion plans. Despite these extremely difficult circumstances, we demonstrated underlying growth in revenues and profits for existing operations and progressed plant construction program.

Financial Highlights

- Total revenues for 2009 were posted at AED 742 million, a slight increase from 2008 figures. Gross profit was AED 291 million. However, after finance costs, results from associated companies, a non-cash impairment charge and other items, Tabreed recorded a loss of AED 1,118 million for the year ended 31st December 2009.

- A non-cash impairment charge of AED 1,161 million for 2009 was declared to reflect the long-term value of projects amid the current difficult economic climate.

- Tabreed was successful in raising AED 1,693 million in financing for 2009 which includes an AED 368 million Ijara financing for the full repayment of the Company's five-year USD $100 million Sukuk, launched in 2005.

- In conjunction with the 2009 financial results announced in March 2010, Tabreed secured a short-term financing facility of AED 1.3 billion from Mubadala Development Company to provide funding while the Company completes the recapitalization program.

- Contracting revenues in 2009 derived from Tabreed's 100 per cent owned contracting subsidiary, Gulf Energy Systems, increased by 38 per cent in 2008 due to major piping network contracts including Sowwah Island and Al Reem Island.

- Revenues from Tabreed's 60 per cent owned manufacturing subsidiary, Emirates Pre-insulated Pipes Industries, declined by 30 per cent in 2009 compared to 2008, reflecting the economic downturn and reduced order books.

- Revenues from the Company's building services division that includes Ian Banham & Associates, i2i and CoolTech declined by 46 per cent in 2009 due largely to the regional real estate slowdown.

- Revenues from the Company's core business of chilled water increased 29 per cent as three new plants (UAE University in Al Ain, Yas Island and T-7) came online and several new customers were connected. Total billed capacity for chilled water was 339,572 TR, an increase of 65,371 TR from 2008.

Corporate Highlights

- A number of changes were made to Tabreed's senior management team including the appointment of Sujit S. Parhar as CEO in May 2009, Steve Ridlington as CFO in June 2009 and the appointment of a new Projects Director, HR Director, Corporate Communications Director, and IT Director.

- The Company's first-ever Chief Audit and Risk Officer was appointed during the third quarter 2009. This appointment is based on the Board of Directors' mandate for best-practice in governance, internal audit and risk management. Following this, in late 2009, the entire governance and financial control regime within Tabreed received an overhaul. A Governance Policy and Governance Procedures have been developed. These procedures adopt all the requirements of Ministerial Resolution 518 and introduce Risk Management, Internal Control, and Code of Conduct Policy.

- For 2009, Tabreed reviewed all of its customer contracts and implemented a revised, bankable, contract format. The customer contract also provides more clarity about district cooling related issues and protection for Tabreed. This contract format has been deployed and accepted by a number of new customers and is intended to remain in use for future customers. The new management team has also developed new investment decision processes, pricing characteristics and follow-up procedures to ensure that the contracts Tabreed is entering into are sound and fair.

- During 2009, the following International Standards Organisation (ISO) accreditations were re-confirmed: Environmental (ISO 14001), Health and Safety (ISO 18001) and Quality (ISO 9001). The Fatality Accident Rate was "0" and Tabreed registered only one 'lost time injury'.

- Tabreed's Human Resources & General Services Department was active in recruiting 168 new employees for 2009 across all levels. As well, the department developed a new best practice HR Policy and managed the renovation of Tabreed's Abu Dhabi offices to facilitate an 'open plan' structure.

Operational Highlights

- Three new cooling plants came online in 2009 bringing our total installed cooling capacity to 395,100 TR across 36 plants.

- 16 cooling plants and two plant expansions were under construction as of 31st December 2009, of which 13 plants and one plant expansion are expected to come online in 2010, adding a further 148,300 TR of cooling capacity.

- Tabreed's O&M Department made significant progress in reducing the Company's impact on energy and water resources. Comparing 2009 figures to those of 2008, electricity consumption (Kw/Ton) decreased by 8 per cent and water consumption (Gal/Ton) decreased by 10 per cent.

- Tabreed's Qatar subsidiary, Qatar Cool, served the first villa in The Pearl of Qatar, the world's largest district cooling scheme, supplied by one single plant, which once complete, will have a capacity of 130,000 TR.

- Inauguration of Yas Island plant, which provided district cooling to Yas Marina Circuit for the 1st F1 Grand Prix in November of 2009.

- The Dubai Metro project was launched on 9th September 2009. As of 31st December 2009, three of our seven district cooling plants were ready for power energization. As of 1st January 2010, Tabreed has supplied cooling to the RTA Metro Stations in the Red Line. Three additional Dubai Metro plants are expected to produce chilled water in April 2010.

Subsidiary Highlights

Tabreed Bahrain

2009 proved to be a very busy year for Tabreed Bahrain. The major emphasis was on a cost-savings exercise – primarily to reduce the costs of general and administration and the use of temporary chillers. As well, with project budgets finalized for the Diplomatic Area and North Shore Scheme, which resulted in work restarting late in the year to finalize the implementation of the projects. The target is to have the entire district cooling system in operation by the summer of 2010.

Saudi Tabreed District Cooling Company

Saudi Tabreed was active in 2009 on a number of major projects. The design continued for the Jeddah Corniche plant and relevant permissions were secured for the eventual build of the project. Saudi Aramco granted their approval to develop the Al Dhahran cooling plant. In Riyadh, the company, in a joint venture with SNC Lavalin, was awarded the construction and operation of two cooling plants for ten years to serve the King Abdullah Financial Centre project. Saudi Tabreed incorporated a private company for maintenance and operation with a capital of 100,000 Saudi Riyals to practice business in the company's projects and to compete in the Maintenance/Operation contracts submitted by the government. The company intends to start the activities on these ventures during the first quarter of 2010.

i2i

Throughout 2009, i2i was successful in winning more than 48 new customer contracts across the region including such high-profile projects as The Pearl, Qatar; Doha International Airport; Zayed Military City; and Khalidiya Mall, Abu Dhabi. Gary Williams, i2i Managing Director, was honored as a "Fellow", the highest level under the CSA.

Gulf Energy Systems

2009 was a significant year for Gulf Energy Systems (GES) as it marked the move to a completely independent business unit of Tabreed. This process included hiring new senior managers and rebranding the company. GES was successful in completing five new contracts for the UAE's Armed Forces, completed the full replacement of air-conditioning system in the Sea Palace in record time and completed AED 100 million chilled water network on Al Reem Island for S&T JV, with all related ETS rooms in Shams Towers. In addition, GES was successful in signing new orders for around AED 60 million with Mubadala for the Sowwah pipe network project.

Qatar District Cooling Company

2009 marked the 5th anniversary of Qatar Cool and appropriately received two awards from the International District Energy Association in June 2009. In its anchor operation in the West Bay, Qatar Cool more than doubled its connected capacity to the clients, delivering more than 30,000 TR of district cooling on time across 22 buildings. As well, the second district cooling plant in the West Bay project came online to provide 67,000 TR to serve the area. Qatar Cool also started delivering chilled water at the largest district cooling plant in the world in The Pearl, Qatar. Other highlights include activating its largest client – Lagoon Plaza on 5th July 2009.

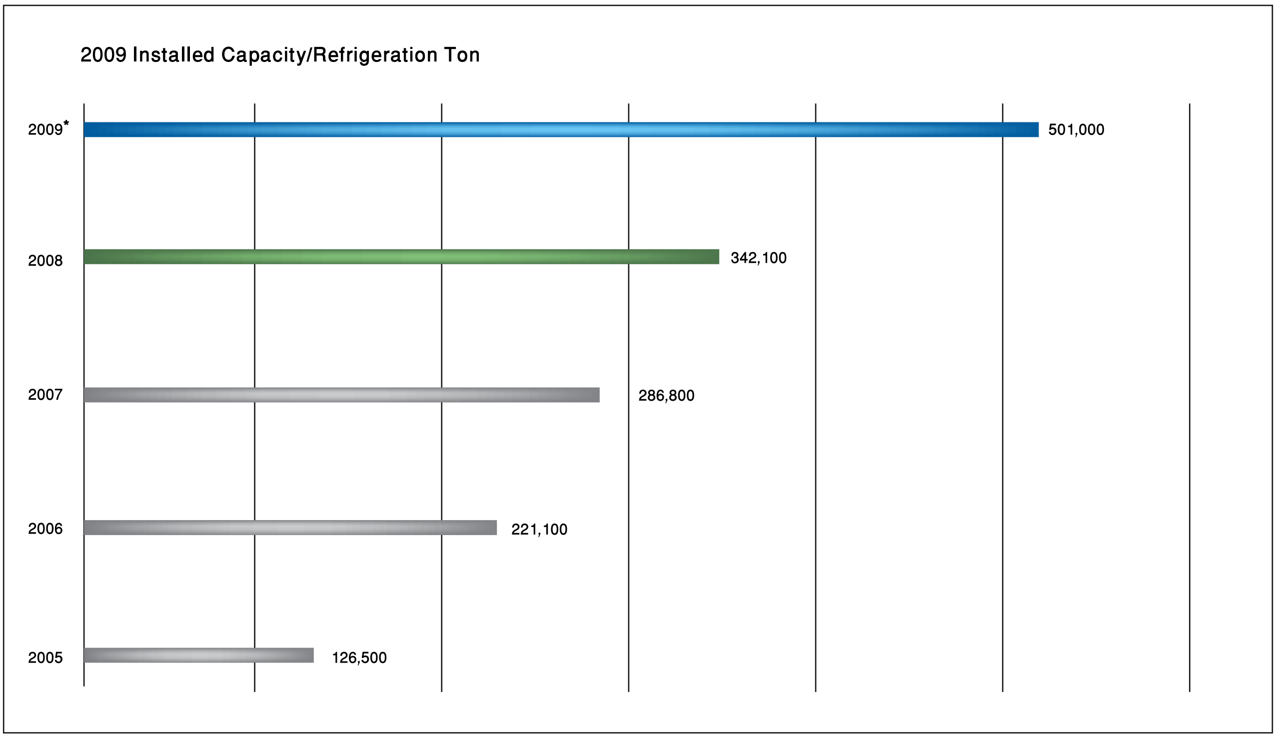
Tabreed Oman

2009 was Tabreed Oman's second year of operation. As a new company, Tabreed Oman has been focusing on securing contracts and long-term commitments to provide cooling services for 10,000 TR. It was successful in signing two concession agreements with the Oman government for the industrial area in Sohar and IT Park in Muscat. Tabreed Oman started the construction of its first plant in 2009 and will commission and deliver chilled water to its first clients around Q3 2010. In addition, the company's first modular plant for Knowledge Oasis Muscat began construction in October 2009.

UAE Operational Plants – Installed Capacity

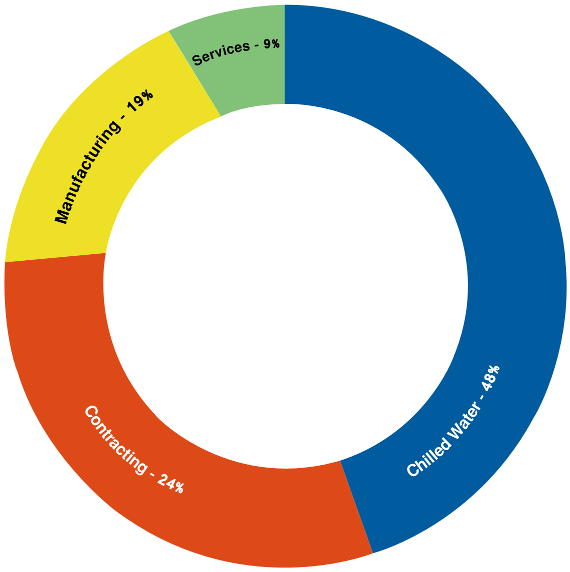
In total, 111,925 TR of capacity came online in 2009, increasing year-end capacity to 454K TR (gross) from 342K TR (gross) in 2008.

- The increase reflected the 3 plants completed in 2009.
- Of the three, the following new plants added 53,000 TR capacity:
  - Al Ain University at 10,000 TR
  - Yas Island at 35,000 TR
  - T7 ZMC at 8,000 TR
- Capacity addition for 2010 is estimated at 114,875 TR (gross).



2009 Sales Breakdown

Chilled Water	Contracting
Manufacturing	Services



Corporate Governance

Corporate Governance

Tabreed recognizes that good governance is integral in safeguarding and delivering sustainable shareholder value. Good corporate governance ensures the highest standards of professionalism and performance as well as facilitates a culture of accountability within the Company. The Board of Directors and management team both support this commitment, and are guided by the Tabreed Corporate Governance Procedures Manual, which is constantly fine-tuned as the need arises.

The Company has been working towards implementing the changes to its Corporate Governance and Institutional Code of Conduct to comply with Ministerial Resolution No. 518 (MR-518) of the Emirates Securities and Commodities Authority (SCA). The Board and management expect the Company to be fully-compliant by late April 2010.

The Board of Directors

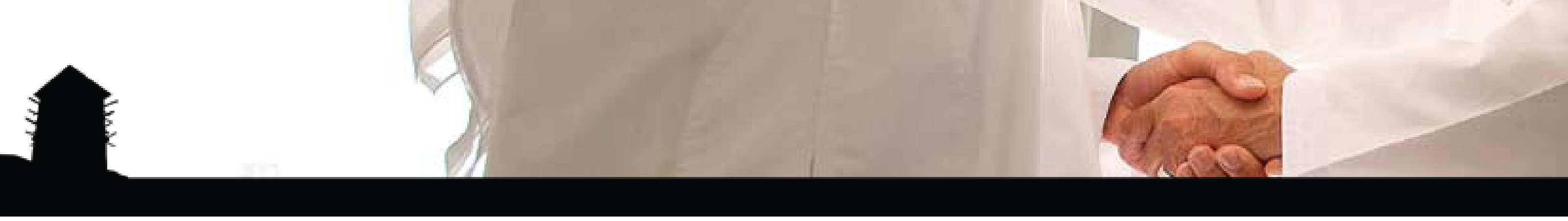
The Board is responsible for establishing key policies, providing strategic guidelines and ensuring adequate control mechanisms to manage and conduct the affairs of the Company.

An appropriate balance in Board of Director membership has been achieved and is maintained. As of 31st December 2009, the Board consists of eight members, seven of whom are non-executive. The members of the Board were chosen for the diversity of their skills and experience and more than a third of the Board is independent. The Board ensures that management has established systems and processes to adhere to laws, regulations, policy and procedures.

The Board ensures that the management team provides them with sufficient information in a timely manner to make informed decisions that affect the direction of the Company. The management team participates in Board meetings and gives independent opinions on strategic issues, policy, accounting, resources and operational matters.

Khadem Abdulla Al Qubaisi, chairman of the Board and Waleed Ahmed Al Mokarrab Al Muhairi, vice chairman, ensure that the Board participates effectively at meetings and act in the best interest of the Company. They do this by developing the agenda for Board meetings, overseeing communication between Board members and shareholders, and encouraging constructive relations between the Board members.

A procedure for inducting new Board members is written into the Corporate Governance Procedures Manual. This carefully set procedure ensures that new members understand both the Company and their role. Each year, all Board members disclose to the Company an assessment of their independence and outline their significant positions in other companies or public institutions.



Separation of the Roles of Chairman, CEO and Managing Director

To ensure an appropriate balance of power, increased accountability and capacity of the Board to make independent decisions, the role of the chairman, chief executive officer and managing director are clearly differentiated. The chairman oversees and leads the Board on behalf of the shareholders, while the CEO and MD implement the key strategies set by the Board.

Remuneration of Board Members

The Board members are remunerated in two ways. Each Board member is paid a set attendance fee for each Board meeting that they attend as allowed under Article 34 of the Tabreed Memorandum and Articles of Association (MAA). The fee is calculated on the basis of where the BOD member travels from, and is designed to reimburse the "out of pocket" expenses for attending Board meetings.

In addition to the above, Section 58 of the MOA also allows the General Assembly to approve a share of profits. In 2009, there was no dividend paid to shareholders and no remuneration paid to the BOD members other than the attendance fees noted above.

Board Committees

The Board has created four committees to aid in good governance, support its fiduciary functions and help achieve effective checks and balances. These committees are: the Audit Committee, Finance Committee, Employee Remuneration and Compensation Committee, and Project Committee.

Audit Committee

The Board has set up an effective Audit Committee which fully complies with MR-518. The committee is chaired by an independent director, Khalifa Mohamed Al Mazrouei. It has three non-executive Board members, and all are independent.

The committee's role is outlined in the BOD-approved Charter of the Audit Committee and includes the following:

1. Financial statements – reviewing, discussing and endorsing the Company quarterly and annual financial results
2. Internal controls – reviewing, in conjunction with the internal and external auditors, the adequacy of Company internal controls
3. Risk Management – reviewing significant risk exposures and the management plans to mitigate such risks
4. External Audit – accepting the reports of the External Auditor and recommending the appointment of the External Auditor to the full Board

The Audit Committee is actively involved in internal control and risk management matters. Significant issues are also escalated to and effectively dealt with by the full Board.

When it comes to risk management, the Committee assists the Board in management oversight by providing reasonable assurance that these risks are identified, assessed, managed, and monitored in a timely manner. While the Board sets the tone and establishes the risk appetite level of the Company, the committee assists by reviewing risk strategies and endorsing policies for risk management.

Finance Committee

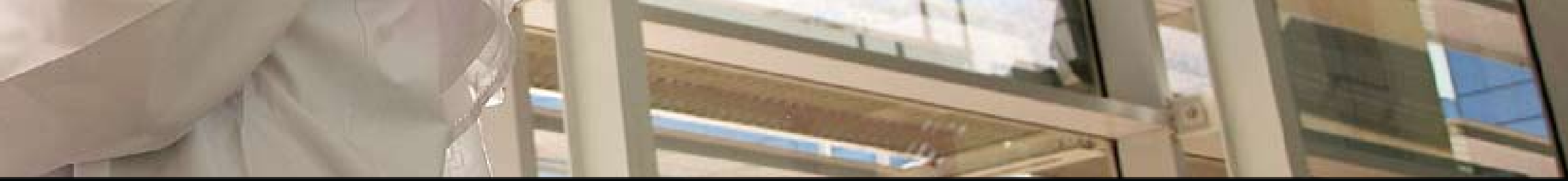
The Finance Committee endorses all matters that have significant impact on corporate finances before the Board's approval. This includes borrowings, hedging arrangements, business cases for major initiatives and financial reporting and budgeting.

Employee Remuneration and Compensation Committee

The Employee Remuneration and Compensation Committee assists the Board in establishing a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees consistent with Tabreed's culture, strategy and environment. This Committee also sets executive remuneration, annual remuneration movements and recommends incentive payments to the full Board. There were no incentive payments recommended for 2009.

Project Committee

The Project Committee investigates the viability of projects and ensures that they are subjected to the highest levels of governance before their presentation to the Board.



Shareholders Rights

The Board is committed to maintaining the highest standards in regard to the recognition of shareholder rights. To that end, the company has established a Shareholders Department and has also engaged the National Bank of Abu Dhabi to assist with shareholder engagement. The purpose of both the Shareholders Department and NBAD is to ensure that dividend payments reach each shareholder, and they are notified of and attend AGA and EGA meetings and receive all required financial reports.

The Tabreed Memorandum and Articles of Association detail the shareholders rights to information, voting, participation at meetings and information on candidates for Board positions.

Internal Control

Under Article 8 of MR-518, the Board must provide guidance to the management on the implementation of both an internal control and risk management system. The management has the responsibility of developing, implementing and maintaining that system. The Board of Tabreed meets this obligation by requiring:

1. That the management develop and maintain a good practice internal control environment
2. A risk management system and process that issues reports to the Board Audit Committee
3. That the Risk and Audit function oversees the management responsibility to provide internal controls
4. The appointment of a Compliance Office to oversee governance

The Board ensures that the internal audit and risk management functions are effective by reviewing the work of the Board Audit Committee, effectively dealing with risk and control issues at Board meetings and requiring that risk and internal control issues are discussed at each Board meeting. The Board also ascertains that an internal control review is conducted by the Risk and Audit function each year.

External Auditor

On the recommendation of the Audit Committee, the Board has appointed Ernest & Young as Tabreed's external auditor at the 2009 Ordinary General Assembly. The Board ensures that the external auditor remains independent from the Company. The external auditor has broad powers to provide reports to the general assembly and to regulatory bodies.

Ernest & Young's scope of audit for the 2009 financial year as outlined in their engagement plan was:

1. Audit opinion on the annual consolidated financial statements in accordance with the International Financial Reporting Standards
2. Audit opinion on the financial statements of all subsidiaries and associates of National Central Cooling Company in accordance with the International Financial Reporting Standards
3. Review of quarterly interim condensed consolidated financial statements in accordance with the International Accounting Standard (IAS) 34

Delegation to Management

The Board of Tabreed provides guidance and direction towards achieving the strategic objectives of the Company. The day-to-day activities of the Company are delegated to the management, including the following Board-approved mandates: a ten-year strategic plan; approved policies; annual budget; key performance indicators; delegation of authority documents; regular reporting against performance targets; and written articulation of the tasks required of the management as detailed in the Corporate Governance Procedures Manual.

Likewise, the management's primary responsibilities covers the oversight of the day-to-day operations of the Company's business, strategic planning, budgeting, financial reporting and risk management. In fulfilling these responsibilities, the CEO, MD and senior management must balance the unique relationships between and amongst the Company, its partners and network of employees and investors.

Code of Conduct

The manner in which the Board expects each employee of Tabreed to behave with respect to each other, the law, customers, suppliers, stakeholders and the community is articulated in the Board-approved policies and in the Code of Conduct.

Investor Relations

Investor Relations

Over the course of 2009, Tabreed has increased its commitment to investor communications by establishing an in-house investor relations function. As a listed security on the Dubai Financial Market, our investor relations mandate is to facilitate transparent communication with existing and potential investors in order to keep them abreast of the Company's progress and performance. All our investor relations efforts are framed within best-practice regulatory disclosure. Ultimately, our goal is to enable Tabreed investors to be able to make informed investment decisions.

This year marked a number of new initiatives on the investor relations front for Tabreed. A dedicated in-house investor relations specialist was put in place. A new investor relations area of the corporate website was developed. Ongoing dialogue was initiated and maintained with the analyst community including starting the company's first-ever quarterly conference calls with regional analysts. Quarterly update presentations were made available on the investor relations website.

As of 31st December 2009, Tabreed had 24,407 shareholders, with a year-end share price of AED 0.81, registering a 36 per cent increase on the closing share price of AED 0.52 on 31st December 2008.

Analysis of Shareholding

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Below 1m Shares	24,270	99.44%	451,914,333	37.24%
1m to 10m Shares	126	0.52%	270,599,782	22.30%
10m to 50m Shares	8	0.03%	197,550,282	16.28%
Above 50m Shares	3	0.01%	293,315,603	24.17%
	24,407	100%	1,213,380,000	100.00%

Top 200 Shareholders own 66.96% of the shares

Concentration	% of Shares Held
Top 5 Shareholders	31.12%
Top 10 Shareholders	39.60%
Top 25 Shareholders	47.16%
Top 50 Shareholders	52.71%
Top 100 Shareholders	59.38%
Top 200 Shareholders	66.96%

Facts & Figures

Year-end share price: 0.81
Increase y-o-y: 36%
52 week range: 0.42 – 1.17
Average daily trading value: AED 14,700,972
Average daily trading volume: AED 17,465,586
Shares outstanding: 1,213,380,000
Par Value: AED 1
Foreign ownership limit: 49%
Bloomberg: TABREED UH
Reuters: TABR.DU
Dubai Financial Market: TABREED

Tabreed 06 Financing Corp

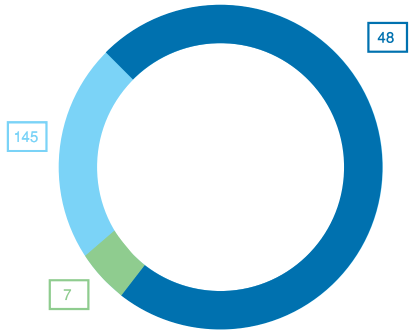
ISIN	XS0258404960
Sedol	B195Y77
Maturity Date	20th July 2011
Currency	USD
Country	AE
Amount Issued	200,000
Market Listed	LSE

Tabreed 08 Financing Corp

ISIN	XS0359799136
Sedol	B2RHM56
Maturity Date	19th May 2011
Currency	AED
Country	KY
Amount Issued	1,700,000
Market Listed	LSE

Top 200 Shareholders by Classification

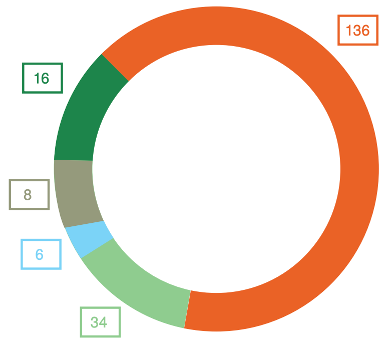
- Company
- Individual
- Bank



As of 31st December 2009

Top 200 Shareholder Nationality

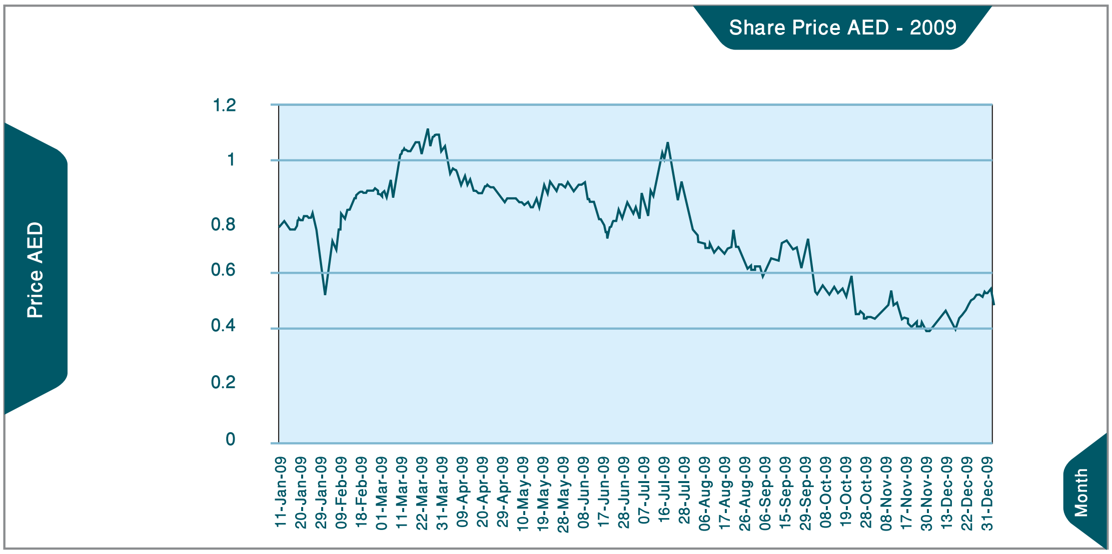
- UAE
- UK
- Saudi Arabia
- Others
- Jordan



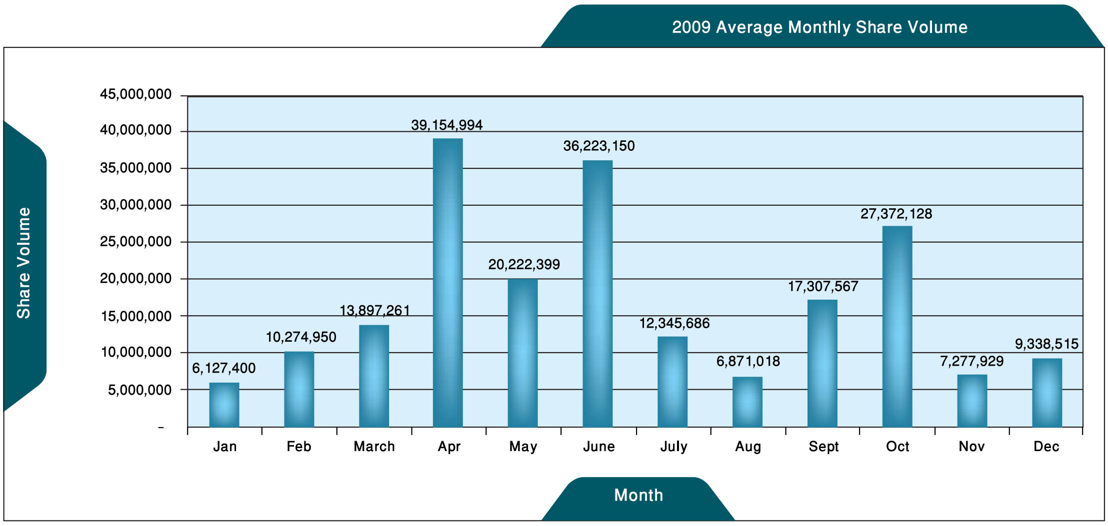
*Others comprising 19 nationalities

As of 31st December 2009

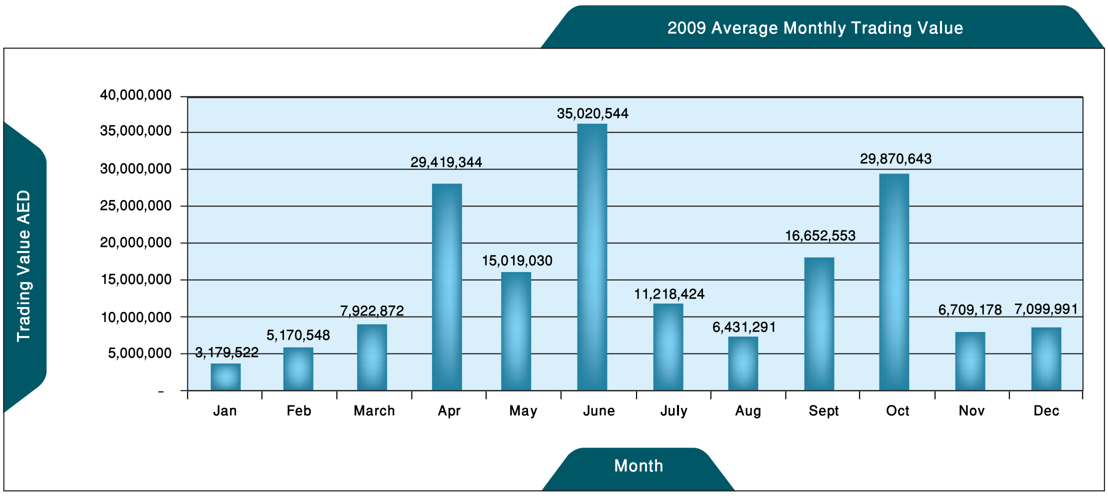
Tabreed Investor Relations Contact:
Phone: +971 (0)2 645 5007 Ext. 423
Email: shareholders@tabreed.com



Share Price AED - 2009
Price AED
1.2
1
0.8
0.6
0.4
0.2
0
11-Jan-09
20-Jan-09
29-Jan-09
09-Feb-09
18-Feb-09
01-Mar-09
11-Mar-09
22-Mar-09
31-Mar-09
09-Apr-09
20-Apr-09
29-Apr-09
10-May-09
19-May-09
28-May-09
08-Jun-09
17-Jun-09
28-Jun-09
07-Jul-09
16-Jul-09
28-Jul-09
06-Aug-09
17-Aug-09
26-Aug-09
06-Sep-09
15-Sep-09
29-Sep-09
08-Oct-09
19-Oct-09
28-Oct-09
08-Nov-09
17-Nov-09
30-Nov-09
13-Dec-09
22-Dec-09
31-Dec-09
Month



2009 Average Monthly Share Volume
Share Volume
45,000,000
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
6,127,400
10,274,950
13,897,261
39,154,994
20,222,399
36,223,150
12,345,686
6,871,018
17,307,567
27,372,128
7,277,929
9,338,515
Jan
Feb
March
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
Month



2009 Average Monthly Trading Value
Trading Value AED
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
3,179,522
5,170,548
7,922,872
29,419,344
15,019,030
35,020,544
11,218,424
6,431,291
16,652,553
29,870,643
6,709,178
7,099,991
Jan
Feb
March
Apr
May
June
July
Aug
Sept
Oct
Nov
Dec
Month


08.05
04.05
02.05

Report on the Consolidated Financial Statements

Independent auditors' report to the shareholders of National Central Cooling Company PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2009 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 notes.

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). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group incurred a loss of AED 1.23 billion for the year ended 31 December 2009 and, as of that date, the Group's current liabilities exceeded its current assets by AED 4.9 billion and its accumulated losses of AED 1.04 billion amounted to 86% of its share capital. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis as the management supported by the Board of Directors are confident on the positive outcome of the mitigating factors as outlined in Note 2.1 of the consolidated financial statements.

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 further report that 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.

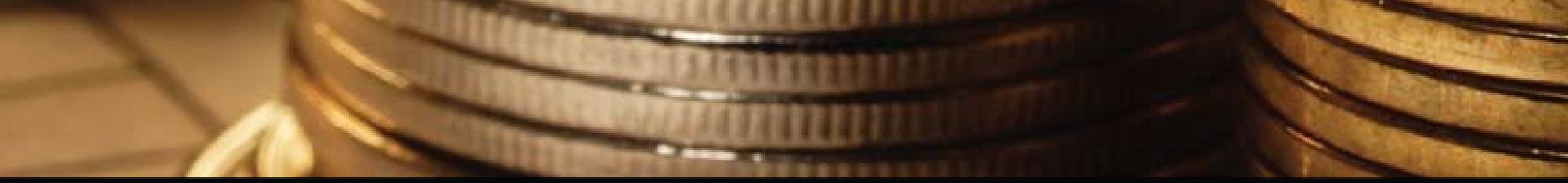
Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which states that, as the losses of the group amount to more than half the capital, the Company's Board of Directors has resolved to call an extra ordinary general assembly to decide on the continuation of the Company as required by Article 285 of the UAE Commercial Companies Law of 1984 (as amended).

ERNST & YOUNG

Signed by

Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

31 March 2010
Abu Dhabi



National Central Cooling Company PJSC
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

	Notes	2009 AED '000	2008 AED '000
Revenue	3	741,506	734,801
Operating costs	6.1 & 3	(450,223)	(415,709)
GROSS PROFIT		291,283	319,092
Administrative and other expenses	6.2	(148,156)	(138,983)
Other income		4,589	3,727
PROFIT FROM OPERATIONS	6	147,716	183,836
Provision for doubtful debts	18 &33	(46,644)	(6,579)
Impairment of property, plant and equipment	7	(127,675)	-
Impairment of capital work in progress	7	(1,108,220)	-
Impairment of investment in an associate, available for sale investments and goodwill	12, 14 & 19	(12,535)	-
Finance costs	4	(107,567)	(81,037)
Interest income	5	4,176	23,747
Changes in fair value of derivatives		(16,180)	(12,200)
Changes in fair value and loss on sale of investments carried at fair value through income statement, net		1,246	(15,122)
Share of results of associates	12	29,794	16,901
(LOSS) PROFIT FOR THE YEAR		(1,235,889)	109,546
Attributable to:			
Equity holders of the parent		(1,118,499)	72,958
Non-controlling interests		(117,390)	36,588
		(1,235,889)	109,546
Basic and diluted (loss) earnings per share attributable to ordinary equity holders of the parent (AED)	8	(0.60)	0.04

The attached notes 1 to 39 form part of these consolidated financial statements.

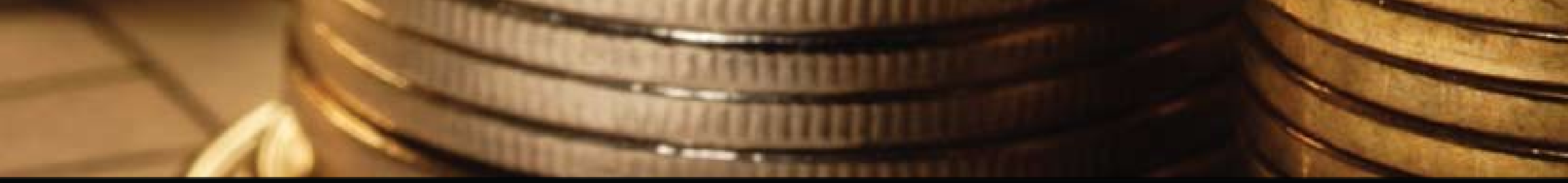
National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Note	2009 AED '000	2008 AED '000
(LOSS) PROFIT FOR THE YEAR		(1,235,889)	109,546
Other comprehensive income (loss)			
Changes in fair value of derivatives in cash flow hedges		9,083	(64,960)
Fair value of derivative reclassified to consolidated income statement		1,780	-
Share of changes in fair value of derivatives of associate		9,378	(19,400)
Changes in fair value of available for sale investments		9,448	(19,320)
Impairment loss on available for sale investment recognised in consolidated income statement	25	4,797	-
Exchange differences arising on translation of overseas operations		(28)	(519)
Other comprehensive income (loss) for the year		34,458	(104,199)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(1,201,431)	5,347
Attributable to:			
Equity holders of the parent		(1,084,041)	(31,241)
Non-controlling interests		(117,390)	36,588
		(1,201,431)	5,347

The attached notes 1 to 39 form part of these consolidated financial statements.



National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Note	2009 AED '000	2008 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	1,824,867	2,764,733
Property, plant and equipment	11	3,310,103	2,626,587
Intangible assets	14	37,600	38,562
Investments in associates	12	239,655	243,232
Available for sale investments	19	68,421	58,973
Loan to an associate	16	21,084	42,029
Finance lease receivable	17	1,135,762	-
		6,637,492	5,774,116
Current assets			
Inventories		36,307	77,338
Trade and other receivables	18	581,848	449,279
Loan to an associate	16	9,781	-
Finance lease receivable	17	33,862	-
Financial assets carried at fair value through income statement	19	-	58,840
Contract work in progress	20	30,813	207,563
Prepayments		5,374	8,787
Cash and short term deposits	21	343,954	701,959
		1,041,939	1,503,766
Assets classified as held for sale	22	33,800	-
TOTAL ASSETS		7,713,231	7,277,882
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	23	1,213,380	1,213,380
Treasury shares	24	(10,050)	(10,050)
Statutory reserve	25	47,433	47,433
(Accumulated losses) retained earnings		(1,045,766)	72,733
Foreign currency translation reserve		(692)	(664)
Cumulative changes in fair value of derivatives and available for sale investments	25	(77,703)	(112,189)
Mandatory convertible bond - equity component	28	1,301,679	1,301,679
		1,428,281	2,512,322
Non - controlling interests		18,385	161,766
Total equity		1,446,666	2,674,088
Non-current liabilities			
Retentions payable and deferred income	31	76,608	55,172
Interest bearing loans and borrowings	26	-	185,465
Islamic financing arrangements	27	-	1,669,209
Obligations under finance lease	29	38,004	41,272
Mandatory convertible bond - liability component	28	160,847	256,597
Employees' end of service benefits	30	16,116	17,254
		291,575	2,224,969
Current liabilities			
Bank overdraft	21	52,007	233,326
Accounts payable and accruals	31	1,892,972	1,458,051
Advances	32	400,000	-
Interest bearing loans and borrowings	26	1,174,444	158,045
Islamic financing arrangements	27	2,330,327	403,576
Mandatory convertible bond - liability component	28	117,876	118,463
Obligations under finance lease	29	7,364	7,364
		5,974,990	2,378,825
Total liabilities		6,266,565	4,603,794
TOTAL EQUITY AND LIABILITIES		7,713,231	7,277,882

Khadem Abdulla Al Qubaisi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

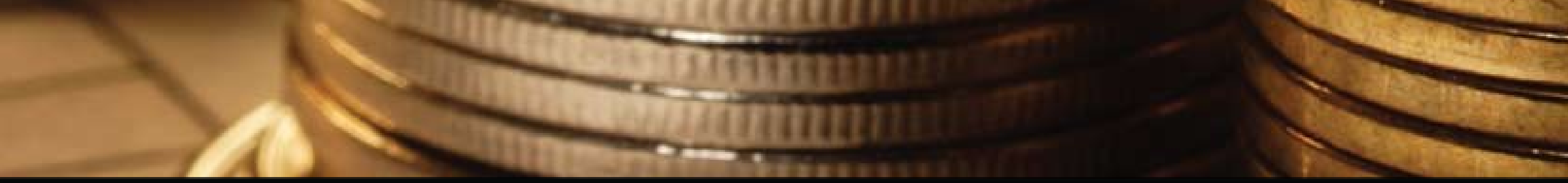
The attached notes 1 to 39 form part of these consolidated financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	(Accumulated Losses)/ Retained earnings AED '000
Balance at 1 January 2008	1,134,000	(10,050)	36,478	10,730
Profit for the year	-	-	-	72,958
Other comprehensive loss for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	72,958
Bonus shares issued	79,380	-	-	-
Transfer to statutory reserve	-	-	10,955	(10,955)
Dividend paid to non-controlling interest shareholders	-	-	-	-
Share capital injection by non-controlling interest shareholders of subsidiaries	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-
Convertible bond - equity component	-	-	-	-
Balance at 31 December 2008	1,213,380	(10,050)	47,433	72,733
Loss for the year	-	-	-	(1,118,499)
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive loss for the year	-	-	-	(1,118,499)
Dividend paid to non-controlling interest shareholders	-	-	-	-
Balance at 31 December 2009	1,213,380	(10,050)	47,433	(1,045,766)



Attributable to equity holders of the parent

Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives and available for sale investments AED '000	Mandatory convertible bond -equity component AED '000	Reserve for proposed bonus issue AED '000	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
(145)	(8,509)	-	79,380	1,241,884	132,971	1,374,855
-	-	-	-	72,958	36,588	109,546
(519)	(103,680)	-	-	(104,199)	-	(104,199)
(519)	(103,680)	-	-	(31,241)	36,588	5,347
-	-	-	(79,380)	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(21,258)	(21,258)
-	-	-	-	-	29,414	29,414
-	-	-	-	-	(15,949)	(15,949)
-	-	1,301,679	-	1,301,679	-	1,301,679
(664)	(112,189)	1,301,679	-	2,512,322	161,766	2,674,088
-	-	-	-	(1,118,499)	(117,390)	(1,235,889)
(28)	34,486	-		34,458	-	34,458
(28)	34,486	-	-	(1,084,041)	(117,390)	(1,201,431)
-	-	-	-	-	(25,991)	(25,991)
(692)	(77,703)	1,301,679	-	1,428,281	18,385	1,446,666

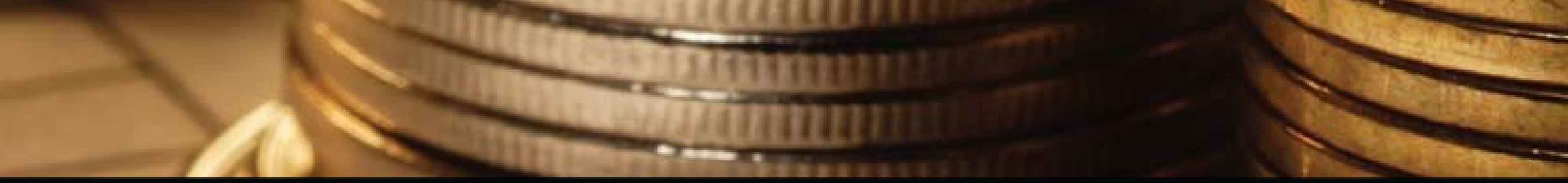
The attached notes 1 to 39 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 AED '000	2008 AED '000
OPERATING ACTIVITIES			
(Loss) profit for the year		(1,235,889)	109,546
Non-cash adjustments to reconcile (loss) profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	87,236	62,121
Amortisation of trademarks	14	3	3
Impairment of property plant and equipment and capital work in progress	7	1,235,895	-
Impairment of goodwill	14	1,275	-
Impairment of investment in an associate	12	6,463	-
Impairment of available for sale investment	19	4,797	-
Share of results of associates		(27,208)	(13,009)
Net movement in employees' end of service benefits	30	(1,138)	5,987
Interest income	5	(4,176)	(23,747)
Finance costs	4	107,567	81,037
Loss on disposal of financial assets carried at fair value through income statement		79	60
Changes in fair value relating to financial assets carried at fair value through income statement		(1,325)	15,062
Changes in fair value of derivatives		16,180	12,200
Gain on disposal of property, plant and equipment		(1,854)	(101)
		187,905	249,159
Working capital adjustments:			
Inventories		41,031	(43,032)
Trade and other receivables and prepayments		(106,749)	(135,315)
Contract work in progress		176,750	(28,532)
Accounts payable and accruals		42,821	45,106
Net cash flows from operating activities		341,758	87,386
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(7,552)	(83,857)
Proceeds from sale of property, plant and equipment		2,288	133
Investments in associates	12	(100)	(55,933)
Purchase of intangible assets	14	(316)	(221)
Proceeds on disposal of financial assets carried at fair value through income statement		60,086	43,428
Advances received	32	400,000	-
Additions to capital work in progress		(1,734,903)	(1,526,832)
Purchase of available for sale investments		-	(69,806)
Investment in bank deposits	21	226,788	(226,788)
Repayment of loan by associate		11,164	-
Acquisition of non-controlling interest		-	(15,949)
Interest received	5	4,176	23,747
Net cash flows used in investing activities		(1,038,369)	(1,912,078)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		942,956	228,844
Interest bearing loans and borrowings repaid		(101,173)	(1,045,981)
Islamic financing arrangement repaid		(405,845)	(20,969)
Islamic financing arrangement received		668,000	1,000,000
Transaction costs on interest bearing loans and borrowings		(17,388)	-
Transaction costs on Islamic financing arrangements		(13,029)	(11,772)
Proceeds from issue of convertible bond		-	1,656,146
Coupon payment of convertible bond	28	(123,250)	-
Payment for obligations under finance lease		(3,268)	(2,974)
Share capital injection by non-controlling interest shareholders of subsidiary		-	29,414
Interest paid		(174,299)	(113,549)
Dividends paid to non-controlling interests		(25,991)	(21,258)
Net cash flows from financing activities		746,713	1,697,901
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		50,102	(126,791)
Cash and cash equivalents at 1 January		241,845	368,636
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	291,947	241,845

The attached notes 1 to 39 form part of these consolidated financial statements.



1 ACTIVITIES

National Central Cooling Company PJSC (“Tabreed” or “the Company”) is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Commercial Companies Law No. 8 of 1984 (as amended) and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (“the Group”) are described in note 3 to the consolidated financial statements.

The Company’s registered office is located at P O Box 32444, Dubai, United Arab Emirates.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2010.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a loss of AED 1.23 billion for the year ended 31 December 2009 and, as of that date, the Group’s current liabilities exceeded its current assets by AED 4.9 billion and its accumulated losses of AED 1.04 billion amounted to 86% of its issued share capital.

The excess of current liabilities over current assets includes the impact of reclassification of interest bearing loans and borrowings and Islamic financing arrangements amounting to AED 3.2 billion (net of prepaid finance costs) which were due more than one year from the balance sheet date based on their respective original maturity profile but have been reclassified to current liability in the consolidated statement of financial position as at 31 December 2009. The reclassification has been made in accordance with the requirement of International Accounting Standard No.1 which requires an entity which breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability is capable of being payable on demand, to reclassify such liability as current. As at 31 December 2009, the Company had a technical breach in relation to its financial covenant in some of its debt obligations. A breach of a financial covenant in one debt obligation can result in cross default provisions in other debt obligations being triggered such that the entire debt obligations of the Group is capable of being payable on demand.

As noted above, the accumulated losses of the Group amounted to 86% of the issued share capital at 31 December 2009. The UAE Commercial Companies Law of 1984 (as amended), states, “if the losses of a joint stock company amount to half the capital, the Board of Directors must call the extra ordinary general assembly to convene and decide whether the company should continue or be dissolved before the duration specified in its articles.” (Refer to point 4 below).

The above factors indicate the existence of a material uncertainty which may cast significant doubt about the Groups’s ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis based on the following mitigating factors:

1. Post year end short term loan facility approved by a shareholder amounting to AED 1.3 billion (this short-term financing may be converted to long-term capital);

2. Expected profitability and operating cash flows in the year ending 31 December 2010, which together with the short term loan in (1) above is expected to cover funding shortfall relating to anticipated operating and capital expenditure and finance costs up to 31 December 2010; and

2.1 FUNDAMENTAL ACCOUNTING CONCEPT continued

3. Comprehensive recapitalization plan launched by the Company's Board of Directors on 7 March 2010 with the objective to achieve a stable long-term capital structure. The recapitalisation plan addresses the following:

- Entering into discussions with strategic investors to provide the long-term capital necessary to support the development of the business;
- Proposal for a capital reduction;
- Options for new capital including a private placement and offering to all shareholders;
- Proactively engaging with creditors to secure amendments to support the recapitalization process (address short-term maturity profile and other terms and conditions to facilitate new investment);
- Identification of significant funding requirement to complete projects and fund committed capital expenditure; and
- Addresses near-term operational funding issues through provision of AED 1.3 billion short term loan

The above recapitalization plan will be presented at the proposed Extra Ordinary General Meeting to seek approval from the shareholders to authorize the Company's Board of Directors to negotiate and implement the recapitalization plan.

4. The Company's Board of Directors has resolved to call an extra ordinary general assembly to comply with the requirement of the UAE Commercial Companies Law of 1984 (as amended).

5. As of the date of approval of the consolidated financial statements of the Company, no lender has requested accelerated repayment of its loans and borrowings. The management is currently engaged in discussions with the lenders to secure amendments to address the resulting short term maturity profile. Management is confident that the outcome of the discussions with the lenders and the implementation of the recapitalisation plan launched by the Company's Board of Directors on 7 March 2010 (note 36) will address the liquidity risk of the Company.

The Company's management and Board of Directors are confident on the positive outcome of the mitigating factors noted above.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

2.2 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments and available for sale investments. The consolidated financial statements have been presented in United Arab Emirates Dirham ("AED") which is the functional currency of the parent Company. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

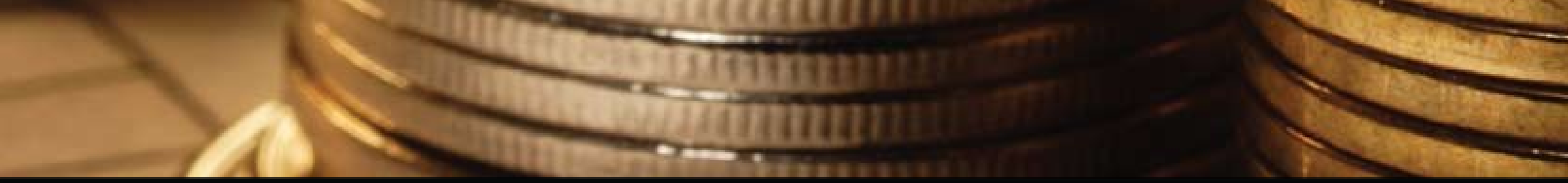
Statement of compliance

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Tabreed and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All inter-company balances, income and expenses and unrealized gains and losses have been eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.



2.2 BASIS OF PREPARATION continued

Basis of consolidation continued

Non-controlling interests principally represent the interest in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Company shareholders' equity. Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the net book value of the share of the net assets acquired is recognised in goodwill.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous year, except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IFRIC 9 Remeasurement of embedded derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- Improvements to IFRSs (May 2008)

The adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group. However, the adoption of certain standards and interpretations resulted in certain disclosures in the consolidated financial statements as follows:

- *IFRS 7 Financial Instruments: Disclosures*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosure. The fair value measurement disclosures are presented in note 37. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 36.

- *IFRS 8 Operating Segments*

During the year the Company has adopted IFRS 8 "Operating Segments", which requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 3, including the comparative information.

- *IAS 1 Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Classification of financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans, or available for sale financial assets, as appropriate.

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

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 judgement for which management takes into consideration, amongst other factors, share price volatility and the underlying asset base of the investee companies. The Company has recognised an impairment loss of AED 4.8 million (2008: nil) in the consolidated income statement for the year ended 31 December 2009.

IFRIC 4 Determining whether an Arrangement contains a Lease

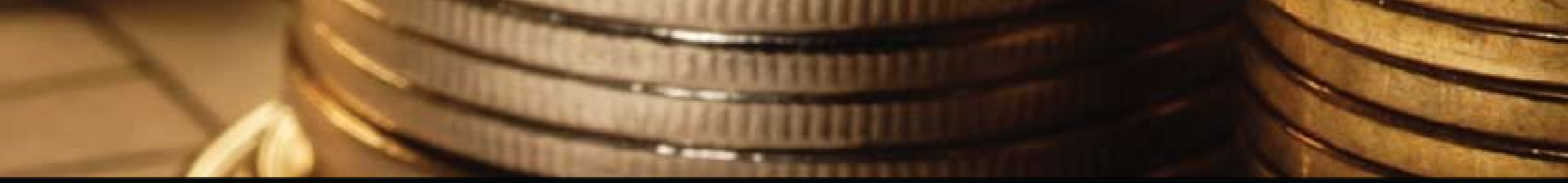
Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Company enters into Cooling Agreements (the "Agreements") with its customers. To the extent such agreements are determined to contain a lease, the provisions of IAS 17 "leases" are applied to determine whether the Company has retained or transferred the significant risks and rewards of ownership of the related assets.

On 4 October 2009, the Company signed an agreement with a customer for supply of chilled water. This agreement was determined to contain a lease and based on the terms of the agreement the Company has transferred the significant risks and rewards of ownership to the customer. Accordingly, the agreement is accounted for as a 'finance lease' in accordance with IAS 17 (note 17).

Impairment of non financial assets – Indicators of impairment

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



2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

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 discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the asset compared to full utilisation capabilities of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where management believes that the useful lives differ from previous estimates.

Impairment of non-financial assets

Impairment testing requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows, terminal value of the distribution assets, cost to complete the construction of the plant and distribution assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

The net carrying amounts of non-financial assets affected by the above estimations are as follows:

	2009 AED '000	2008 AED '000
Capital work in progress	1,824,867	2,764,733
Property, plant and equipment	3,310,103	2,626,587
Intangible assets	37,600	38,562

During the year, an impairment loss of AED 127.7 million (2008: AED nil) relating to property plant and equipment, AED 1,108 million (2008: nil) relating to capital work in progress and AED 1.3 million (2008: AED nil) relating to goodwill was recognised in the consolidated income statement for the year ended 31 December 2009.

Impairment of accounts receivable, amounts due from related parties and finance lease receivable

An estimate of the collectible amount of accounts receivable, amounts due from related parties and finance lease receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet reporting date, gross trade accounts receivable, amounts due from related parties and finance lease receivable were AED 502 million (2008: AED 362.7 million), AED 73.3 million (2008: AED 26.8 million) and AED 1,170 million (2008: AED nil) respectively and impairment loss recognised in the consolidated income statement for the year ended 31 December 2009 was AED 34.8 million (2008: AED 5.4 million), AED 11.8 million (2008: AED 1.2 million) and AED nil (2008: nil) respectively.

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 collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory was AED 36.3 million (2008: AED 77.3 million). No provision has been made for obsolete inventories (2008: nil). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated income statement.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Contracting

When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet reporting date. An expected loss on the contract is recognised as an expense immediately.

The outcome of the contract is considered to be reliably estimated when all the following conditions are satisfied:

a) total contract revenue can be measured reliably;
b) it is probable that the economic benefits associated with the contract will flow to the Group;
c) both the contract costs to complete the contract and the stage of contract completion at the balance sheet reporting date can be measured reliably; and
d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred.

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised based on reports from third party independent consultant.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. For sale of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognised when services are provided.

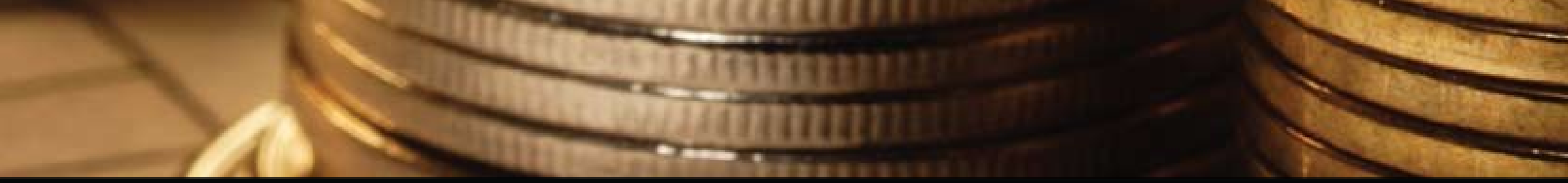
Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when 1) it is probable that the economic benefits associated with the contract will flow to the Group; 2) the contract costs attributable to the contract can be reliably estimated; and 3) the Group is reasonably confident about the collection of the amount recognized.

Contract revenue represents the total sales value of work performed during the year, including the estimated sales value of contracts in progress assessed on a percentage of completion method, measured by reference to total cost incurred to date to estimated total cost of the contract. Provision is made for any known losses and contingencies.

Interest revenue is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset.

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year.

Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated income statement.



2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation
The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. 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.

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.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet 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 the statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Non monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

ii) Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the balance sheet 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 the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Capital work in progress
Capital work in progress is recorded at cost incurred by the Group for the construction of the plants. Allocated costs directly attributable to the construction of the assets are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and available for use.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to qualifying assets are expensed in the period in which they are incurred.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated income statement as incurred. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and related integrated assets (including building)	over 30 years
Distribution assets	over 50 years
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

The Group performs regular major overhaul of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.

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 consolidated income statement in the year the asset is derecognised.

Investments in associates

The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture.

Investments in associates are carried in the consolidated statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its associates. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. Losses on transaction are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

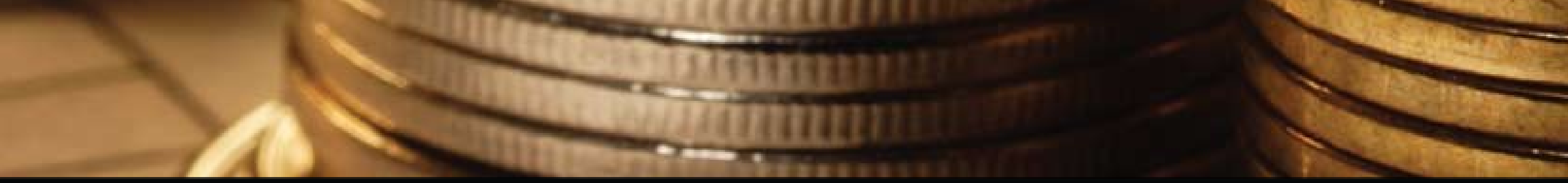
The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Company determines at each balance sheet reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.



Intangible assets continued

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

Gains or losses arising from derecognition 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.

Interest in joint ventures

The Company has interest in joint ventures which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities. The Company recognized its interest in the joint ventures using the proportionate consolidation method, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

The financial statements of the joint ventures are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies into line with those of the Company. Adjustments are made in the Company's financial statements to eliminate the Company's share of unrealized gains and losses on transaction between the Company and its jointly controlled entities. Losses on transaction are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture. Upon loss of joint control and provided the former joint control entity does not become a subsidiary or associate, the Company measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in consolidated income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset 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 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 to sell, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' 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.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the 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. The Company performs its annual impairment test of goodwill as at 31 December.

Investment and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

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

Trade and settlement date accounting

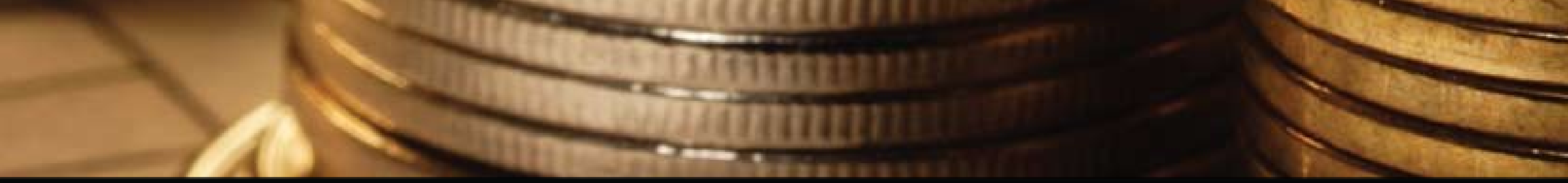
All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Offsetting

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

Available for sale investments

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



2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued

Financial assets carried at fair value through income statement

Financial assets at fair value through income statement include financial assets designated upon initial recognition as at fair value through income statement.

Financial assets are designated at initial recognition as at fair value through income statement if the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy. Financial assets at fair value through income statement are remeasured at fair value at each balance sheet reporting date with all changes in fair value recorded 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. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually 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 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 assets 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 and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the consolidated income statement. 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 future write-off is later recovered, the recovery is credited to finance costs in the income statement.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued

Impairment and non collectibility 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. 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 to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement. Reversals of impairment in respect of equity instruments classified as available for sale are not recognised in the consolidated income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Derecognition of financial instruments

Financial assets

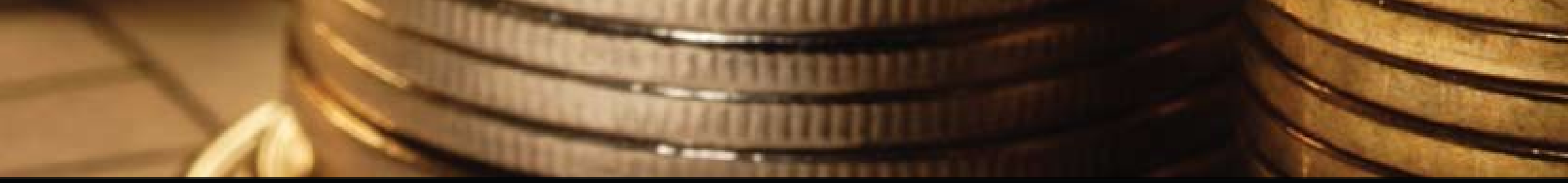
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. 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.



Investment and other financial assets continued

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale – purchase cost on the basis of weighted average cost.
- Work in progress – costs of direct materials and labour plus attributable overheads based on a normal level of activity.
- Finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Contract work in progress

Contract work in progress represents cost plus attributable profit less provision for foreseeable losses and progress payments received and receivable.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

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 Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

Interest bearing loans & borrowings and Islamic financing arrangements

Interest bearing loans & borrowings and Islamic financing arrangements are initially recognised at the fair values less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings and Islamic financing arrangements are subsequently measured at amortised cost using the effective interest method.

Mandatory convertible bond

Mandatory convertible bond is separated into liability and equity components based on the terms of the bond.

On issuance of the mandatory convertible bond, the fair value of the liability component is determined by discounting the future cash flows pertaining to the coupon payments using an estimated market interest rate for an equivalent non convertible bond. Fair value of derivative liability, arising from a fixed range of variability in the number of shares to be issued to the bond holders is initially recognised at its fair value and subsequently remeasured at each reporting date with the changes in fair value taken to the consolidated income statement.

The balance of the proceeds is allocated to the equity conversion portion and recognised under a separate heading under shareholders' equity. On conversion at maturity, the par value of the ordinary shares issued is recognised under issued capital and any surplus recognised under share premium.

Transaction costs are allocated between liability and equity components of the convertible bond based on allocation of initial proceeds from the bond between the liability and equity components.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of 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.

Group as 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 inception 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.

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

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

Group as lessor – Finance leases

Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the balance sheet as financial assets (finance lease receivable) and are carried at the amount of the net investment in the lease after making provision for impairment.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payment transactions

Qualifying employees (including senior executives) of the Company receive part of their remuneration in the form of share-based payment transactions. The employees are granted notional units of Company's ordinary shares which are settle able in cash ('cash-settled transactions'). The cost of the cash settled transactions is measured initially at fair value at the grant date based on the unit value determined by management of the Company. The fair value is expensed to the consolidated income statement or capital work in progress, as applicable, in the year of grant with recognition of a corresponding liability. The liability is remeasured at balance sheet each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps and forward currency contracts respectively to hedge risks associated with interest rate and foreign currency fluctuations 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 assets when the fair value is positive and as liabilities when the fair value is negative.

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

For the purpose of hedge accounting, hedges are classified as:

- 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
- fair value hedges when hedging the exposure to changes in the fair value of an unrecognised firm commitment.

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 cash flows or fair values, as applicable, attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or fair values, as applicable, 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.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in the statement of comprehensive income under the heading of "changes in fair value of derivatives", while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised in the statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the cumulative amounts recognised in the statement of changes in equity 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, amounts previously recognised in equity are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Derivative financial instruments and hedging continued

Fair value hedges

The change in the fair value of a hedging derivative is recognised 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. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise available for sale investments, loan to an associate, financial assets carried at fair value through income statement, receivables, finance lease receivable, cash and short term deposits. Financial liabilities comprise payables, bank overdraft, loans, liability component of convertible bond and finance leases.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models. The fair value of managed funds is determined by reference to a net asset value assessment conducted by an independent third party.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 37.

2.6 FUTURE CHANGES IN ACCOUNTING POLICIES – STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below.

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- IFRS 2 Share-based Payments: Group Cash-settled Share-based Payment
- IAS 24 Related Party Disclosures
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedge Item
- Improvements to IFRS (April 2009)

In the opinion of management, the adoption of the above standards and interpretations will have no material impact on the financial position or performance of the Group.

3 OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

The ‘chilled water’ segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies. This also includes Tabreed’s share in a joint venture engaged in similar activity.

The ‘contracting’ segment is involved in construction of air conditioning chilled water central plants and networks for new or existing buildings. This also includes Tabreed’s share in a joint venture which is involved in engineering, procurement, construction and construction management in the field of District Cooling.

The ‘manufacturing’ segment is engaged in production of pre-insulated piping systems for chilled and hot water, gas and other energy related applications and provision of pipe protection services.

The ‘services’ segment is involved in design and supervision of electrical, mechanical coding and sanitary engineering works.

Operating segments which have similar economic characteristics are aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs, interest income, impairment of available for sale investment and changes in fair value of derivatives) is managed on a group basis and is not allocated to operating segments.

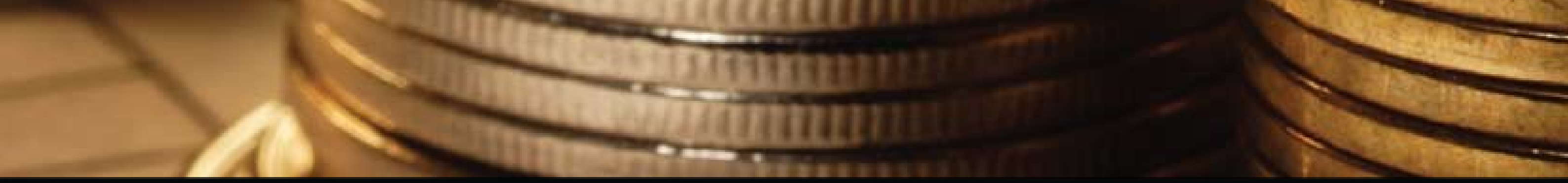
3 OPERATING SEGMENTS continued

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Eliminations AED'000	Total AED'000
Year ended 31 December 2009:						
Revenue						
External revenue	357,437	173,858	141,652	68,559	-	741,506
Inter-segment revenue	325	42,788	3,627	15,110	(61,850)	-
Total revenue	357,762	216,646	145,279	83,669	(61,850)	741,506
Operating costs	(178,646)	(143,119)	(96,522)	(31,936)	-	(450,223)
Gross profit	179,116	73,527	48,757	51,733	(61,850)	291,283
Results						
Segment results	68,907	27,690	37,680	13,439	-	147,716
Provision for doubtful debts	(30,028)	(122)	-	(16,494)	-	(46,644)
Impairment of property plant and equipment	(127,675)	-	-	-	-	(127,675)
Impairment of capital work in progress	(1,108,220)	-	-	-	-	(1,108,220)
Finance costs	-	-	-	-	-	(107,567)
Impairment of investment in an associate	(6,463)	-	-	-	-	(6,463)
Impairment of available for sale investment	-	-	-	-	-	(4,797)
Impairment of goodwill	(316)	(959)	-	-	-	(1,275)
Changes in fair value of derivatives	-	-	-	-	-	(16,180)
Interest income	-	-	-	-	-	4,176
Changes in fair value of investments, net	-	-	-	-	-	1,246
Share of results of associates	29,794	-	-	-	-	29,794
Loss for the year						(1,235,889)
Year ended 31 December 2008:						
Revenue						
External revenue	278,069	126,321	203,625	126,786	-	734,801
Inter-segment revenue	323	-	8,189	11,974	(20,486)	-
Total revenue	278,392	126,321	211,814	138,760	(20,486)	734,801
Operating costs	(141,240)	(98,348)	(138,136)	(37,985)	-	(415,709)
Gross profit	137,152	27,973	73,678	100,775	(20,486)	319,092
Results						
Segment results	48,224	30,013	50,955	54,644	-	183,836
Provision for doubtful debts	(2,033)	-	-	(4,546)	-	(6,579)
Finance costs	-	-	-	-	-	(81,037)
Interest income	-	-	-	-	-	23,747
Changes in fair value of derivatives	-	-	-	-	-	(12,200)
Changes in fair value of investments, net	-	-	-	-	-	(15,122)
Share of results of associates	16,901	-	-	-	-	16,901
Profit for the year						109,546

Inter-segment revenues are eliminated on consolidation.

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Total AED'000
Year ended 31 December 2009	80,977	7	5,692	563	87,239
Year ended 31 December 2008	57,713	166	3,668	577	62,124



3 OPERATING SEGMENTS continued

Segment assets and liabilities are as follows:

	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Services AED '000	Unallocated AED '000	Total AED'000
2009:						
Segment assets	6,588,396	417,926	139,596	147,225	-	7,293,143
Investments in associates	239,655	-	-	-	-	239,655
Unallocated assets	-	-	-	-	180,433	180,433
Total assets	6,828,051	417,926	139,596	147,225	180,433	7,713,231
Segment liabilities	1,940,958	424,277	13,531	28,345	-	2,364,281
Unallocated liabilities	-	-	-	-	3,880,869	3,880,869
Total liabilities	1,940,958	424,277	13,531	28,345	3,880,869	6,266,565
2008:						
Segment assets	5,754,934	347,380	188,518	173,575	-	6,464,407
Investments in associates	243,232	-	-	-	-	243,232
Unallocated assets	-	-	-	-	570,243	570,243
Total assets	5,998,166	347,380	188,518	173,575	570,243	7,277,882
Segment liabilities	879,893	514,101	60,421	76,062	-	1,530,477
Unallocated liabilities	-	-	-	-	3,073,317	3,073,317
Total liabilities	879,893	514,101	60,421	76,062	3,073,317	4,603,794

Segment assets do not include available for sale investments of AED 68,421 thousand (2008: AED 58,973 thousand), loan to an associate AED 30,865 thousand (2008: AED 42,029 thousand), financial assets carried at fair value through income statement AED nil (2008: AED 58,840 thousand) and bank deposits AED 81,147 thousand (2008: AED 410,401 thousand) as these assets are managed on a group basis.

Segment liabilities do not include interest bearing loans and borrowings of AED 1,174,444 thousand (2008: AED 343,510 thousand), Islamic financing arrangements AED 2,330,327 thousand (2008: AED 2,072,785 thousand), obligations under finance lease AED 45,368 thousand (2008: AED 48,636 thousand), convertible bond – liability component AED 278,723 thousand (2008: AED 375,060 thousand) and bank overdraft AED 52,007 thousand (2008: AED 233,326 thousand) as these liabilities are managed on a group basis.

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Total AED'000
Other information:					
2009:					
Capital expenditure:					
Property, plant and equipment	3,814	-	3,361	377	7,552
Capital work in progress	2,355,680	-	-	-	2,355,680
Intangible asset	316	-	-	-	316
2008:					
Capital expenditure:					
Property, plant and equipment	82,162	-	966	29	83,857
Capital work in progress	2,047,602	-	15,412	-	2,063,014
Intangible asset	221	-	-	-	221

3 OPERATING SEGMENTS continued

Geographic information

The following tables present certain non-current assets and revenue information relating to the Group's geographical locations based on geographical location of the operating units:

Non-current assets

	2009 AED '000	2008 AED '000
United Arab Emirates	4,863,272	4,820,254
Others	309,298	609,628
	5,172,570	5,429,882

For this purpose, non-current assets comprise of capital work in progress, property, plant and equipment and intangible assets. Other non-current assets comprise mainly capital work in progress.

Revenue from external customers

The Group earns 99.5 % of its revenue from customers located in United Arab Emirates (2008: 99.2 %).

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

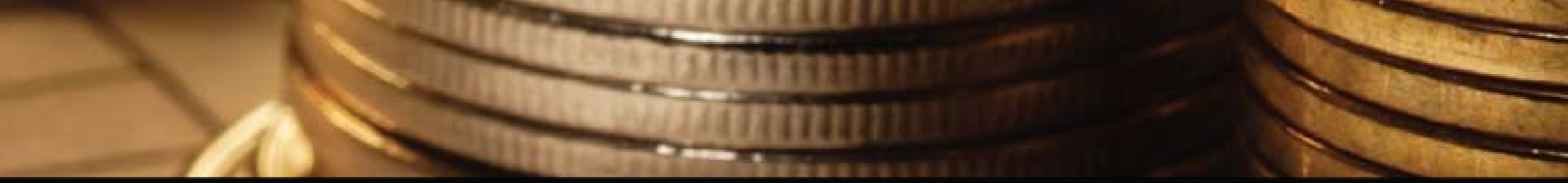
	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Total AED'000
Year ended 31 December 2009:					
Customer 1	166,110	48,013	-	-	214,123
Customer 2	-	79,998	-	-	79,998
	166,110	128,011	-	-	294,121
Year ended 31 December 2008:					
Customer 1	158,387	87,418	-	-	245,805

4 FINANCE COSTS

	2009 AED '000	2008 AED '000
Interest on interest bearing loans and borrowings and overdrafts	49,731	21,237
Rental charges on Islamic financing arrangements	54,392	56,129
Interest element of finance lease	3,444	3,671
	107,567	81,037

5 INTEREST INCOME

	2009 AED '000	*2008 AED '000*
Interest income on loan to an associate (note 16)	701	1,045
Interest income on bank deposits	3,475	22,702
	4,176	23,747



6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2009 AED ‘000	2008 AED ‘000
Costs of inventories recognised as an expense	89,447	142,195
Contract costs	143,119	96,522
Depreciation	80,083	56,866
Utility costs	81,283	71,447
Others	56,291	48,679
	450,223	415,709

6.2 Administrative and other expenses

Staff costs	93,981	74,840
Other administrative and general expenses	47,019	58,885
Depreciation and amortisation	7,156	5,258
	148,156	138,983

7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS

	2009 AED ‘000	2008 AED ‘000
Impairment of property, plant and equipment (note 11)	127,675	-
Impairment of capital work in progress (note 10)	1,108,220	-
	1,235,895	-

The above impairment relates to certain plant and related distribution network included in the Group’s chilled water segment. Impairment is assessed at the level of the cash generating unit which represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Typically, a cash generating unit is an individual plant and its related distribution network.

Management determines at each balance sheet date whether there are any indicators of impairment relating to the Group’s property, plant and equipment and capital work in progress. These indicators include a broad range of external and internal factors.

The unprecedented events in the global economy have had a significant impact on the real estate sector in the UAE and GCC. As a result, the management undertook a strategic review of all its projects with the view of assessing the impact of the global downturn on the recoverable amount of the Group’s property, plant and equipment and capital work in progress. The Company applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment and capital work in progress approved by the Company’s management and Board of Directors.

7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND CAPITAL WORK IN PROGRESS continued

Key assumptions used in value in use calculations

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

- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Revenue and inflation rate used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction;
- Discount rate; and
- Terminal value of distribution assets.

Revenue estimates are based on management's view of the demand for the chilled water. To the extent possible, these estimates are corroborated based on discussions with existing and potential customers. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of the remaining useful life of the plant (i.e. 30 years). An inflation rate of 3% is applied to the cash flows.

Cost of construction relating to capital work in progress (i.e. plant and equipment under construction) is based on contracts signed to date and estimate of cost required to complete.

Discount rate is based on the Company's WACC (i.e. weighted average cost of capital). This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The Company applied a WACC of 8.5% for the purpose of the value in use calculation.

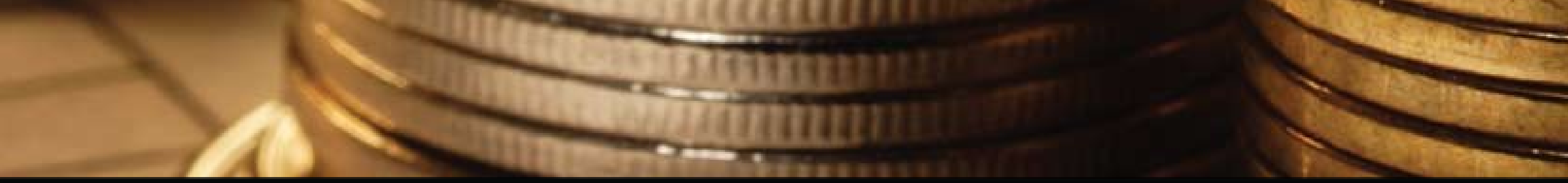
8 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted (loss) earnings per share are calculated by dividing the (loss) profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond.

The following reflects the (loss)/profit and share data used in the basic and diluted (loss) earnings per share computations:

	2009	2008
(Loss) profit for the year attributable to ordinary equity holders of the parent for basic and diluted (loss) earnings (AED '000)	(1,118,499)	72,958
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	1,203,330	1,203,330
Effect of convertible bond ('000)	674,603	417,699
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bond ('000)	1,877,933	1,621,029
Basic and diluted (loss) earnings per share (AED)	(0.60)	0.04

Basic and diluted (loss) earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 28).



9 SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

	Country of incorporation	Percentage of holding 2009	2008
Gulf Energy Systems LLC	UAE	100	100
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100
Emirates Preinsulated Pipes Industries LLC	UAE	60	60
Installation Integrity 2000 LLC	UAE	60	60
CoolTech Energy Water Treatment LLC (formerly BAC Balticare Gulf LLC)	UAE	100	100
Summit District Cooling Company	UAE	100	100
Bahrain District Cooling Company	Bahrain	74	74
Ian Banham and Associates	UAE	70	70
Tabreed Holdings WLL	Bahrain	100	100
Tabreed LLC Oman	Oman	100	100
Tabreed Captive Insurance Company B.S.C.	Bahrain	100	100
Installation Integrity 2006 WLL	Qatar	52	52
Tabreed Oman SAOC	Oman	60	60
Sahara Cooling and Air Conditioning LLC	UAE	51	51

10 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the year is as follows:

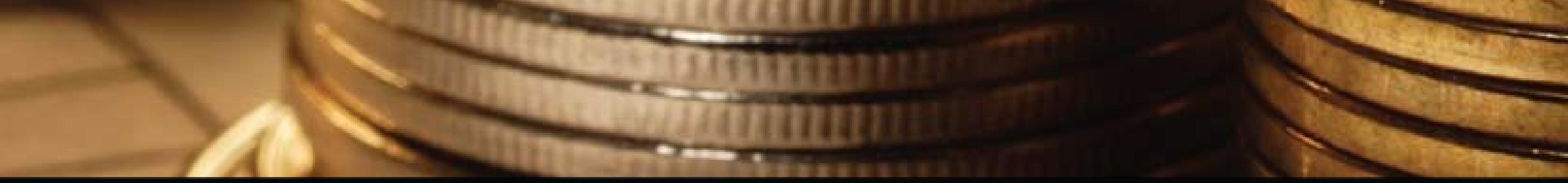
	2009 AED '000	2008 AED '000
Balance at 1 January	2,600,065	1,123,746
Additions during the year	2,355,680	2,063,014
Impairment during the year (note 7)	(1,108,220)	-
Transfer to finance lease receivable (note 17)	(1,169,624)	-
Transfer to a joint venture (note 13)	(22,407)	-
Transfer to property, plant and equipment (note 11)	(891,309)	(586,695)
	1,764,185	2,600,065
Advances to contractors	60,682	164,668
Balance at 31 December	1,824,867	2,764,733

The receivables relating to capital work in progress balance have been assigned as security against certain interest bearing loans and borrowings and Islamic financing arrangements. The capital work in progress balance subject to this arrangement amounts to AED 1,229 million (2008: AED 324 million).

Included in additions to capital work in progress are capitalised financing costs amounting to AED 109 million (2008: AED 61.5 million).

11 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED '000	Distribution network AED '000	Furniture and fixtures AED '000	Office equipment and instruments AED '000	Motor vehicles AED '000	Total AED '000
2009						
Cost:						
At 1 January 2009	2,110,565	705,120	9,359	24,209	2,737	2,851,990
Additions	3,785	-	233	3,534	-	7,552
Transfer from capital work in progress (note 10)	576,158	315,151	-	-	-	891,309
Disposals	-	-	-	-	(1,064)	(1,064)
At 31 December 2009	2,690,508	1,020,271	9,592	27,743	1,673	3,749,787
Depreciation:						
At 1 January 2009	162,973	40,860	6,843	13,047	1,483	225,206
Depreciation for the year	61,797	19,316	893	4,737	493	87,236
Depreciation relating to disposals	-	-	-	-	(630)	(630)
At 31 December 2009	224,770	60,176	7,736	17,784	1,346	311,812
Net carrying amount before impairment:						
At 31 December 2009	2,465,738	960,095	1,856	9,959	327	3,437,975
Impairment:						
At 1 January 2009	197	-	-	-	-	197
Impairment during the year (note 7)	89,353	38,322	-	-	-	127,675
At 31 December 2009	89,550	38,322	-	-	-	127,872
Net carrying amount after impairment:						
At 31 December 2009	2,376,188	921,773	1,856	9,959	327	3,310,103
2008						
Cost:						
At 1 January 2008	1,601,719	547,428	8,190	21,850	2,780	2,181,967
Additions	79,843	-	1,169	2,359	486	83,857
Transfer from capital work in progress (note 10)	429,003	157,692	-	-	-	586,695
Disposals	-	-	-	-	(529)	(529)
At 31 December 2008	2,110,565	705,120	9,359	24,209	2,737	2,851,990
Depreciation:						
At 1 January 2008	114,570	30,041	6,022	11,244	1,705	163,582
Depreciation for the year	48,403	10,819	821	1,803	275	62,121
Depreciation relating to disposals	-	-	-	-	(497)	(497)
At 31 December 2008	162,973	40,860	6,843	13,047	1,483	225,206
Net carrying amount before impairment at: 31 December 2008	1,947,592	664,260	2,516	11,162	1,254	2,626,784
Impairment:						
At 31 December 2008	197	-	-	-	-	197
Net carrying amount after impairment at: 31 December 2008	1,947,395	664,260	2,516	11,162	1,254	2,626,587



11 PROPERTY, PLANT AND EQUIPMENT continued

The depreciation charge for the year has been allocated as follows:

	2009 AED '000	2008 AED '000
Included in operating costs (note 6.1)	80,083	56,866
Included in administrative and other expenses (note 6.2)	7,153	5,255
	87,236	62,121

The receivables relating to plant and distribution network have been assigned as security against certain interest bearing loans and borrowings and Islamic financing arrangements. The plant and distribution network balance subject to this arrangement amounts to AED 2,364 million (2008: AED 1,252 million).

Net book value of plant amounting to AED 54.3 million (2008: AED 55.3 million) are held under finance lease. The leased assets are pledged as security for the related finance lease (note 29).

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership 2009	Ownership 2008
Industrial City Cooling Company	United Arab Emirates	20%	20%
Qatar Central Cooling Company PJSC	State of Qatar	44%	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	25%	25%
Jordanian Company for Central Energy (PLS)	Jordan	-	50%
Sahara Cooling Limited	United Arab Emirates	40%	40%
Cool Tech Qatar	State of Qatar	49%	-

Movement in investment in associates is as follows:

	2009 AED '000	2008 AED '000
At 1 January	243,232	193,690
Capital injection	100	55,933
Share of results for the year	27,208	13,009
Share of cumulative changes in fair value in effective cash flow hedges	9,378	(19,400)
Transfer to asset held for sale (note 22)	(33,800)	-
Impairment during the year	(6,463)	-
At 31 December	239,655	243,232

The Company recognised an impairment loss of AED 6.5 million on its investment in Jordanian Company for Central Energy (PLS) based on recoverable amount from a sale transaction finalised in March 2010. At 31 December 2009, the investment has been classified as held for sale (note 22).

The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are identical to Tabreed.

12 INVESTMENTS IN ASSOCIATES continued

The following illustrates summarised information of Tabreed's investments in associates:

	2009 AED '000	2008 AED '000
Share of the associates' statement of financial position:		
Current assets	198,168	163,247
Non-current assets	739,982	720,860
Current liabilities	(126,812)	(77,965)
Non-current liabilities	(562,705)	(556,518)
Net assets	248,633	249,624
Share of the associates' revenues and results:		
Revenues	103,597	76,962
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 2.6 million (2008: 3.8 million)	29,794	16,901

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 10 million (2008: AED 19.4 million).

Management believes that the carrying value of the investments will be realised in full.

Tabreed invested an amount of AED 100 thousand (2008: AED 55,933 thousand) representing its share of share capital issued by the associates during the year as follows:

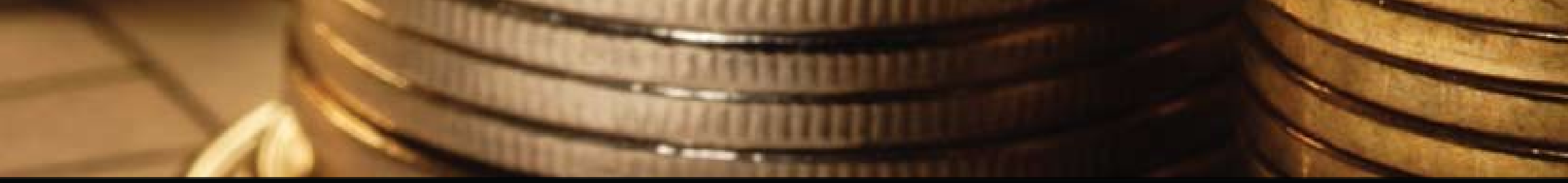
	2009 AED '000	2008 AED '000
Tabreed District Cooling Company (Saudi)	-	24,514
Jordanian Company for Central Energy (PLS)	-	31,419
Cool Tech Qatar	100	-
	100	55,933

13 INTEREST IN JOINT VENTURES

The Company has the following investments in joint ventures:

	Country of incorporation	Ownership 2009	Ownership 2008
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	51%	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	50%	-

Tabreed has a 51% equity interest in SNC Lavalin Gulf Contractors LLC (SLGC), a jointly controlled limited liability company which is involved in engineering, procurement, construction and construction management in the field of District Cooling.



13 INTEREST IN JOINT VENTURES continued

The Company has an investment of AED 2.5 million (2008: AED nil) in 50% equity interest in S&T Cool District Cooling Company LLC, a jointly controlled limited liability company, incorporated in Emirate of Abu Dhabi. The joint venture is involved in the same business activity as Tabreed. The reporting date for the joint venture is identical to Tabreed.

On 27 May 2009, the Company transferred certain plants and related distribution network with a carrying amount of AED 22.4 million to S&T Cool District Cooling Company LLC for an amount of AED 25.2 million realising a profit of AED 2.8 million (i.e 50% share) recognised in the consolidated income statement for the year ended 31 December 2009. (note 10)

Tabreed's share of the assets and liabilities of the joint ventures included in the consolidated statement of financial position are as follows:

	2009 AED '000	2008 AED '000
Current assets	328,012	449,308
Non-current assets	102,789	-
	430,801	449,308
Current liabilities	(300,564)	(380,444)
Non-current liabilities	(2,196)	(1,836)
Total net assets	128,041	67,028
Share of the joint ventures' revenues and profits:		
Revenues	249,866	594,994
Operating costs	(241,875)	(506,522)
Administrative and other expenses	(6,443)	(5,075)
Finance income	428	2,107
Profit for the year	1,976	85,504

An amount of AED 5.3 million (2008: AED nil) relating to the Company's share of the profit from the Joint Ventures has been recognized in the consolidated income statement for the year ended 31 December 2009.

The balance amount of AED 3.3 million (loss) (2008: Profit of AED 85.5 million) has been debited (2008: credited) to the capital work in progress balance as at 31 December 2009 as it relates to construction activity for the Company's plants.

14 INTANGIBLE ASSETS

	Goodwil		Trademarks		Total	
	2009 AED '000	2008 AED '000	2009 AED '000	2008 AED '000	2009 AED '000	2008 AED '000
Balance at 1 January	38,555	38,334	7	10	38,562	38,344
Additions during the year	316	221	-	-	316	221
Impairment during the year	(1,275)	-	-	-	(1,275)	-
Amortisation for the year	-	-	(3)	(3)	(3)	(3)
Balance at 31 December	37,596	38,555	4	7	37,600	38,562

15 IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill allocated to each of the cash generating units is as follows:

	2009 AED '000	2008 AED '000
Ian Banham & Associates	27,711	27,711
Tabreed 1 District Cooling Plant	9,712	9,712
Other	173	1,132
Total	37,596	38,555

Goodwill acquired through business combinations has been allocated to the following main individual cash-generating units, for impairment testing:

- Ian Banham & Associates cash-generating unit relating to goodwill arising from acquisition of equity interest in Ian Banham & Associates; and

- Tabreed 1 District Cooling Plant relating to goodwill arising from acquisition of Gulf Energy Systems.

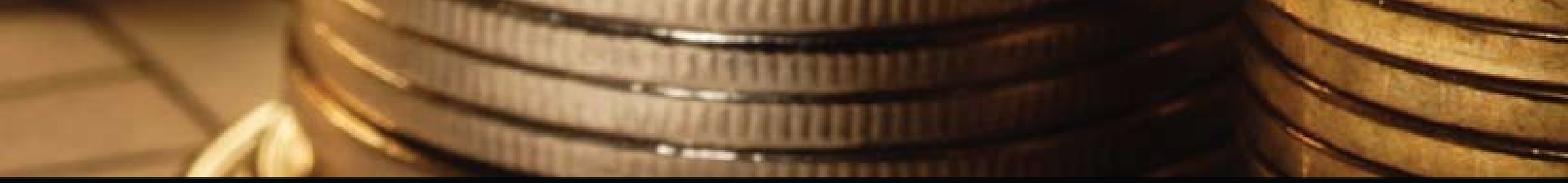
Ian Banham & Associates
The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors to cover a five-year period ending 31 December 2014. The discount rate applied to the cash flow projections is 25% (2008: 25%). Revenue is earned from projects supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3 % (2008: 3%).

Tabreed 1 District Cooling Plant
The recoverable amount of Tabreed 1 District Cooling Plant unit is determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on signed contract with customer for a period of 20 years. As the useful life of the plant is assessed as 30 years, the Company has used the remaining useful life of the plant of 22 years at the year end in the model based on rates currently agreed with the customer. The management is confident that the current 20 year contract with the customer will be extended for the remaining useful life of the plant. The operating costs mainly represent cost of utilities to operate the plant and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 8.5 % representing the Company's WACC (weighted average cost of capital). A general price inflation level of 3% has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates.

Given the headroom in the cash flow projections. management believes no reasonable change in the revenue, cost and discount rate assumptions would cause the carrying amount of goodwill to be impaired.

16 LOAN TO AN ASSOCIATE

The loan was granted to Sahara Cooling Limited, an associate company. The loan is unsecured and interest is charged at LIBOR + 0.85%. Sahara Cooling Limited repaid an amount of AED 11.16 million (2008: nil) during the year. An amount of AED 9.8 million (2008: nil) is expected to be repaid within twelve months from the balance sheet reporting date and accordingly has been classified as current assets in the consolidated statement of financial position.



17 FINANCE LEASE RECEIVABLE

On 4 October 2009, the Company signed a long term Master Cooling Agreement ("the agreement") with a customer for a period of 30 years. Management has determined the Master Cooling Agreement to contain a lease in accordance with IFRIC 4 and based on the terms of the agreement, the Company has accounted for the agreement as a finance lease, since in the opinion of the management, the significant risks and rewards of ownership of the related plant and distribution network ("the asset") have been passed to the customer.

The discount rate used to determine the present value of the finance lease receivable at inception of the lease is 6.5%. This rate is assessed based on the risk associated with the asset and the credit rating of the customer.

Future minimum lease receivables under the finance lease together with the present value of the net minimum lease receivables are as follows:

	2009	
	Minimum lease receivables AED '000	Present value of minimum lease receivable AED '000
Within one year	36,238	33,862
After one but no more than five years	405,941	309,932
More than five years	2,527,577	825,830
	2,969,756	1,169,624
Unearned revenue	(1,800,132)	-
	1,169,624	1,169,624

Analysed in the consolidated statement of financial position as follows:

	AED '000
Current assets	33,862
Non-current assets	1,135,762
	1,169,624

No unguaranteed residual value to the benefit of the lessor is assumed for the purpose of the above calculation.

The accumulated allowance for uncollectible minimum lease payments receivable at 31 December 2009 is AED nil.

No revenue (finance income) has been recognised in respect of this agreement in the consolidated income statement for the year ended 31 December 2009 as the related asset is under construction as at 31 December 2009.

18 TRADE AND OTHER RECEIVABLES

	2009 AED '000	2008 AED '000
Trade receivables	474,465	357,491
Amounts due from related parties (note 33)	61,520	25,600
Advances to contractors and employees	30,322	54,133
Deposits and other receivables	15,541	12,055
	581,848	449,279

As at 31 December 2009, trade receivables at nominal value of AED 27.5 million (2008: AED 5.2 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2009 AED '000	2008 AED '000
At 1 January	5,229	3,771
Charge for the year	34,777	5,359
Amounts written off	(12,478)	(3,901)
At 31 December	27,528	5,229

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

			Past due but not impaired					
	Total AED'000	Neither past due nor impaired AED'000	< 30 days AED'000	30 – 60 days AED'000	60 – 90 days AED'000	90 – 120 days AED'000	120 – 365 days AED'000	>365 days AED'000
2009	474,465	117,916	67,928	38,181	36,130	34,958	159,770	19,582
2008	357,491	169,143	37,961	38,842	35,702	29,385	33,217	13,241

Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured.

Trade receivables are non-interest bearing and are generally on 30 – 60 days terms.

An amount of AED 11.8 million (2008: AED 1.2 million) representing impairment of amounts due from related parties is recognised in the consolidated income statement for the year ended 31 December 2009.

For terms and conditions relating to related party receivables, refer to note 33.

19 INVESTMENTS

19.1 Available for sale investments

Available for sale investments consist of investment in a listed equity with a carrying amount of AED 3.5 million (2008: AED 2.3 million) and investment in a managed fund with a carrying amount of AED 65 million (2008: AED 56.7million). Changes in fair value of these investments are recognised directly in the statement of comprehensive income (note 25).

During the year, an impairment loss of AED 4.8 million (2008: AED nil) was recognised in the consolidated income statement.

The fair value of investment in listed equity is determined by reference to published price available in an active market. The fair value of the investment in a managed fund has been estimated using a discounted cash flow model. The valuation requires making certain assumptions about the model inputs, including credit risk and volatility.

Geographical concentration of available for sale investments is as follows:

	2009 AED '000	2008 AED '000
Within UAE	3,450	2,281
Outside UAE	64,971	56,692
	68,421	58,973

19.2 Financial assets carried at fair value through income statement

Financial assets carried at fair value through income statement comprise of investments in several managed funds outside UAE. These investments are classified under this category as they are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

During the year, the Company sold its investment in financial assets carried at fair value through income statement realising a loss of AED 79 thousand (2008: loss of AED 60 thousand) in the consolidated income statement.

20 CONTRACT WORK IN PROGRESS

	2009 AED '000	2008 AED '000
Cost plus attributable profit	393,974	509,740
Less: progress billings	(363,161)	(302,177)
	30,813	207,563

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

	2009 AED '000	2008 AED '000
Bank balances and cash	262,807	291,558
Bank deposits	81,147	410,401
	343,954	701,959
Bank overdrafts	(52,007)	(233,326)
Bank deposits with original maturities in excess of three months	-	(226,788)
	291,947	241,845

Bank deposits attract a fixed rate of interest ranging from 1.00% to 3.25% per annum (2008: 1.14% to 4.85% per annum).

The bank overdraft facility is secured against corporate guarantee and letter of awareness from the Company and pledge over short term deposits of AED nil (2008: AED 29.2 million).

Geographical concentration of cash and short term deposits is as follows:

	2009 AED '000	2008 AED '000
Within UAE	263,958	610,284
Outside UAE	79,996	91,675
	343,954	701,959

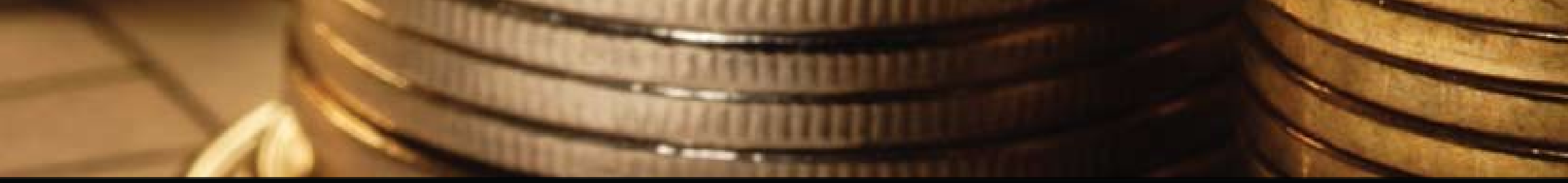
22 ASSETS CLASSIFIED AS HELD FOR SALE

On 23 November 2009, the Board of Directors resolved to sell the Company's 50% equity interest in Jordanian Company for Central Energy (PLS), an associate (note 12). The sale transaction has been completed in March 2010 for a value of AED 33.8 million.

As at 31 December 2009, the carrying value of the investment in Jordanian Company for Central Energy (PLS) amounting to AED 33.8 million was classified as asset held for sale.

23 ISSUED CAPITAL

	2009 AED '000	2008 AED '000
Authorised, issued and fully paid up share capital		
1,213,380,000 ordinary shares at AED 1 each	1,213,380	1,213,380



24 TREASURY SHARES AND SHARE-BASED PAYMENTS

Treasury shares

The Company set up an employee incentive scheme in accordance with the Board of Directors resolution dated 17 December 2000. The Company subsequently contributed an amount of AED 10.05 million to a shareholder for the purchase of the Company's ordinary shares and to act as a custodian for such shares. The Company retains the significant risks and rewards associated with those shares.

Share based payments

The employee incentive scheme ("the scheme") grants notional units of the Company's ordinary shares to qualifying employees, at nil consideration, on recommendation of the remuneration committee of the Company. These notional units of the Company's ordinary shares are exercised in cash in accordance with the terms of the scheme, and accordingly the arrangement is classified as cash settled share based payment transactions.

At 31 December the employee incentive scheme had outstanding notional units of the Company's ordinary shares analysed as follows:

	No. of shares	
	2009	2008
At 1 January	1,722,139	1,615,990
Notional units of the Company's ordinary shares granted during the year	-	702,540
Exercised during the year	(634,835)	(596,391)
At 31 December	1,087,304	1,722,139

The weighted average fair value of notional units granted during the year was AED nil (2008: AED 2.59).

The employee incentive scheme liability is re-measured at each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable (refer below). The carrying amount of liability as at 31 December 2009 was AED 2.8 million (2008: AED 0.9 million).

The portion of gain (loss) arising from the re-measurement at each reporting date and new shares granted during the year are included in the consolidated financial statements as follows:

	2009 AED '000	2008 AED '000
Credit (charge) to administrative and other expenses	(706)	1,119
Credit (charge) to capital work in progress	(1,230)	1,595

The amount credited to (charged under) capital work in progress relates to employees who are directly attributable to the construction activity of the Company's property, plant and equipment.

25 STATUTORY AND OTHER RESERVES

Statutory reserve

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

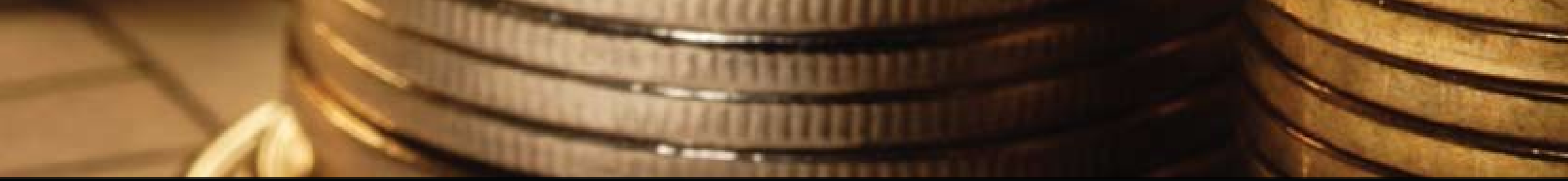
Other reserves

	Cumulative changes in fair value of derivatives AED '000	Cumulative changes in available for sale investments AED '000	Total AED '000
Balance at 1 January 2008	(15,116)	6,607	(8,509)
Net movement in fair value of cash flow hedges	(64,960)	-	(64,960)
Share of net changes in fair value of derivatives of associate	(19,400)	-	(19,400)
Net movement in fair value of available for sale investments	-	(19,320)	(19,320)
Balance at 31 December 2008	(99,476)	(12,713)	(112,189)
Net movement in fair value of cash flow hedges	9,083	-	9,083
Fair value of derivative reclassified to consolidated income statement	1,780	-	1,780
Share of net changes in fair value of derivatives of associate	9,378	-	9,378
Impairment of available for sale investments	-	4,797	4,797
Net movement in fair value of available for sale investments	-	9,448	9,448
Balance at 31 December 2009	(79,235)	1,532	(77,703)

26 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	2009 AED '000	2008 AED '000
Current			
Term loan 1	EIBOR + margin	-	125
Term loan 2	EIBOR + margin	9,000	3,000
Term loan 3	LIBOR + margin	176,895	4,427
Term loan 4	EIBOR + margin	91,500	91,500
Term loan 6	3.03%	-	29,237
Term loan 7	EIBOR + margin	-	29,756
Term loan 8	LIBOR + margin	125,664	-
Term loan 9	LIBOR + margin	29,378	-
Term loan 10	EIBOR + margin	742,007	-
		1,174,444	158,045
Non-current			
Term loan 2	EIBOR + margin	-	9,000
Term loan 3	LIBOR + margin	-	176,465
		-	185,465

Term loan 3 amounting to AED 170.5 million, term loan 10 amounting to AED 742 million (net of prepaid finance costs) and term loan 2 amounting to AED 6 million have been reclassified to current liability as at 31 December 2009 as a result of technical breach of financial covenants (note 2.1).



27 ISLAMIC FINANCING ARRANGEMENTS

	Profit charge %	2009 AED '000	2008 AED '000
Current			
Islamic financing arrangement 1	5.50%	-	367,077
Islamic financing arrangement 2	EIBOR + margin	941,761	28,154
Islamic financing arrangement 3	11.7%	-	8,345
Islamic financing arrangement 4	LIBOR + margin	730,256	-
Islamic financing arrangement 5	EIBOR + margin	362,660	-
Islamic financing arrangement 6	EIBOR + margin	295,650	-
		2,330,327	403,576
Non-current			
Islamic financing arrangement 2	EIBOR + margin	-	941,826
Islamic financing arrangement 4	LIBOR + margin	-	727,383
		-	1,669,209

Islamic financing arrangement 2 amounting to AED 903.6 million (net of prepaid finance costs), Islamic financing arrangement 4 amounting to AED 730.3 million (net of prepaid finance costs), Islamic financing arrangement 5 amounting to AED 362.7 million (net of prepaid finance costs) and Islamic financing arrangement 6 amounting to AED 295.6 million have been reclassified to current liability as at 31 December 2009 as a result of technical breach of financial covenants (note 2.1).

28 MANDATORY CONVERTIBLE BOND

In May 2008, the Company issued a mandatory convertible bond in the form of trust certificates for a total value of AED 1,700 million, maturing in May 2011. The bond bears interest at a fixed rate of 7.25% per annum, payable annually in arrears, commencing on 19 May 2009. Transaction costs in connection with the issuance of the bond amounted to AED 43.8 million.

The bond shall be converted into ordinary shares of the Company based on a specified minimum and maximum exchange ratio. The bond is subordinated in right of payment to the claims of creditors of the Company.

The liability component of the bond of AED 278.7 million (2008: AED 375.1 million) represents present value of annual coupon payments due at the rate of 7.25%, payable in arrears annually. On inception the present value was calculated using a market interest rate for a bond with similar characteristics, but without the condition of mandatory conversion into ordinary shares of the Company at the redemption date. Also included in the liability component of mandatory convertible bond is fair value of a derivative liability of AED 43.9 million (2008: AED 29.5 million), representing the element of variation in the number of shares that will be issued at the conversion date, based on the market price of Company's shares. Total liability in the consolidated statement of financial position has been presented, net of allocated transaction costs of AED 4.4 million (2008: AED 7.5 million).

At inception, the bond's proceeds after allocation to liability component were allocated to an equity component, recognised and included in shareholders' equity amounting to AED 1,302 million, net of allocated transaction costs of AED 34.6 million.

28 MANDATORY CONVERTIBLE BOND continued

A reconciliation between the amounts presented in the consolidated statement of financial position is as follows:

	2009 Convertible bond-liability component AED '000	2009 Convertible bond-equity component AED '000	2009 Total AED '000	2008 Convertible bond-liability componen AED '000	2008 Convertible bond-equity component AED '000	2008 Total AED '000
At 1 January/inception	375,060	1,301,679	1,676,739	354,467	1,301,679	1,656,146
Changes in fair value of derivative liability	14,400	-	14,400	12,200	-	12,200
Accretion expense	9,386	-	9,386	6,743	-	6,743
Amortisation of transactions costs	3,127	-	3,127	1,650	-	1,650
Coupon payment during the year	(123,250)	-	(123,250)	-	-	-
Balance at 31 December	278,723	1,301,679	1,580,402	375,060	1,301,679	1,676,739

Convertible bond –liability component is analysed on the consolidated statement of financial position as follows:

	2009 AED '000	2008 AED '000
Current	117,876	118,463
Non-current	160,847	256,597
	278,723	375,060

The accretion expense is included in the consolidated financial statements as follows:

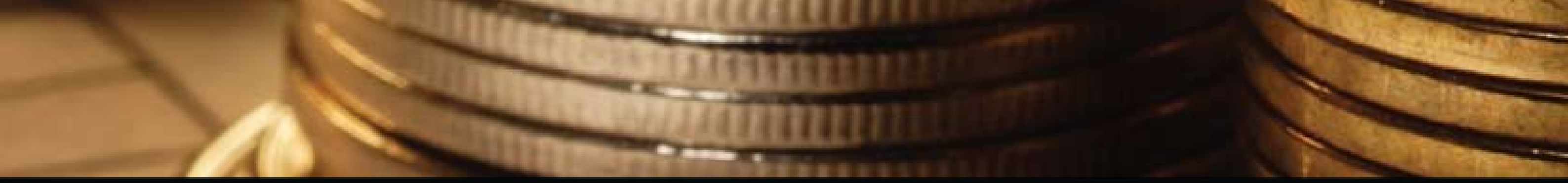
	2009 AED '000	2008 AED '000
Charged to consolidated income statement	774	-
Charged to capital work in progress	8,612	6,743
	9,386	6,743

29 OBLIGATIONS UNDER FINANCE LEASE

During 2006, the Company entered into a sale and lease back agreement with a third party relating to certain plants (note 11) for an amount of AED 55.8 million. The lease carries interest at an effective rate of 9.5% per annum and is repayable in monthly instalments over a period of 12 years.

Future minimum lease payments under finance leases together with the present value of the minimum lease payments are as follows:

	2009 Minimum lease payments AED '000	2009 Present value of payments AED '000	2008 Minimum lease payments AED '000	2008 Present value of payments AED '000
Within one year	7,749	7,364	7,749	7,364
After one year but not more than five years	30,994	23,384	30,994	23,384
After five years	27,765	14,620	35,514	17,888
	66,508	45,368	74,257	48,636
Less: amounts representing finance charges	(21,140)	-	(25,621)	-
Present value of minimum lease payments	45,368	45,368	48,636	48,636



29 OBLIGATIONS UNDER FINANCE LEASE continued

The lease is classified in the consolidated statement of financial position as follows:

	2009 AED '000	2008 AED '000
Current	7,364	7,364
Non-current	38,004	41,272
	45,368	48,636

30 EMPLOYEES' END OF SERVICE BENEFITS

The Company provides for employees' end of service benefits in respect of its expatriate employees in accordance with the employees' contracts of employment. The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2009 AED '000	2008 AED '000
Balance at 1 January	17,254	11,267
Net movement during the year	(1,138)	5,987
Balance at 31 December	16,116	17,254

31 ACCOUNTS PAYABLE AND ACCRUALS

Retentions payable and deferred income

	2009 AED '000	2008 AED '000
Non-current liabilities		
Retentions payable for capital expenditure	31,192	19,887
Others:		
Retentions payable for non capital expenditure	21,076	10,944
Deferred income	24,340	24,341
	45,416	35,285
	76,608	55,172

Accounts payable and accruals

Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	441,821	469,641
Due to a related party – joint venture	130,362	174,971
Accrued expenses and provisions	832,779	376,476
	1,404,962	1,021,088
Others:		
Accounts payable	165,737	152,751
Deferred income	734	898
Due to related parties - associates	29,042	25,978
Due to a related party – joint venture	28,851	-
Accrued expenses	75,299	102,281
Other payables	188,347	155,055
	488,010	436,963
	1,892,972	1,458,051

31 ACCOUNTS PAYABLE AND ACCRUALS continued

Terms and conditions of the above financial liabilities:

Accounts payable and other financial liabilities are non-interest bearing and are normally settled on 60 day terms.

Retentions payable are non interest bearing and are normally settled in accordance with the terms of the contracts.

For terms and conditions relating to related parties, refer to note 33.

32 ADVANCES

This represents advance received from a customer relating to funding support for the construction of property, plant and equipment. The advance is expected to be repaid / settled in 2010.

33 RELATED PARTY TRANSACTIONS

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

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

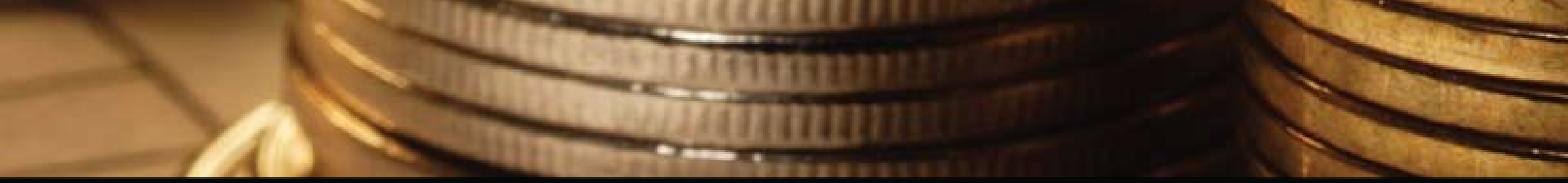
	2009				2008		
	Revenue AED'000	Other expenses AED'000	Interest revenue AED'000	Other income AED'000	Other expenses AED'000	Interest revenue AED'000	Other income AED'000
Associated companies	-	82,846	3,956	701	75,746	8,465	1,045
Joint venture	42,788	-	-	-	-	-	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	2009			2008		
	Loan receivable AED '000	Other receivables AED '000	Other payables AED '000	Loan receivable AED '000	Other receivables AED '000	Other payables AED '000
Associated companies	30,865	12,862	29,042	42,029	15,535	25,978
Joint venture	-	47,369	159,213	-	-	174,971
Other related parties	-	1,289	-	-	10,065	-
	30,865	61,520	188,255	42,029	25,600	200,949

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free, except for loan to an associate (note 16), and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2009, the Group recorded an impairment of AED 11.8 million (2008: AED 1.2 million) relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



33 RELATED PARTY TRANSACTIONS continued

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2009 AED '000	2008 AED '000
Short-term benefits	17,129	15,795
Employees' end of service benefits	642	973
	17,771	16,768
Number of key management personnel	20	18

34 CONTINGENCIES

The bankers have issued guarantees on behalf of the Group as follows:

	2009 AED '000	2008 AED '000
Performance guarantees	64,462	45,686
Advance payment guarantees	20,471	12,776
Financial guarantees	9,248	45,137
	94,181	103,599

The Company's share of contingencies of the joint venture as of 31 December 2009 impacting the consolidated income statement amounted to AED 0.4 million (2008: AED 0.4 million).

The Company's share of contingencies of the associates as of 31 December 2009 impacting the consolidated income statement amounted to AED 2.3 million (2008: AED 1.1 million).

35 CAPITAL COMMITMENTS

The Board of Directors has authorised future capital expenditure amounting to AED 1,108 million as of 31 December 2009 (2008: AED 1,884 million).

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, Islamic financing arrangements, obligations under finance lease, bank overdraft, mandatory convertible bond – liability component, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity. The Group has various financial assets such as finance lease receivable, trade receivables, due from related parties and cash and short-term deposits, which arise directly from its operations.

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance.

It is, and has been throughout 2009 and 2008 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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 prices comprise the following types of risk: interest rate risk, currency risk, and 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 2009 and 2008.

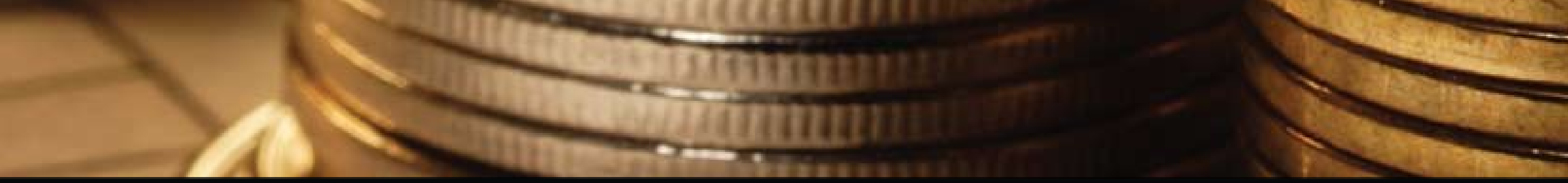
The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2009.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and available-for-sale equity instruments.
- The sensitivity of the relevant 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 2009 and 2008 including the effect of hedge accounting.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.



36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Interest rate risk continued
To manage the risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company 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 2009, after taking into account the effect of interest rate swaps, approximately 38 % of the Group's borrowings are at a fixed rate of interest (2008: 79%).

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on short term deposits and un hedged portion of loans and borrowings).

	Effect on profit AED '000
2009	
+100 increase in basis points	(8,654)
-100 decrease in basis points	8,654
2008	
+100 increase in basis points	(3,148)
-100 decrease in basis points	3,148

The impact on equity relating to derivatives designated as effective cash flow hedges could not be determined in the absence of information from counter party banks.

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.

Management considers that the Company is not exposed to significant foreign currency risk. The majority of transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant foreign currency risk.

Equity price risk
The Group's investment classified as available for sale investments are susceptible to market price arising from uncertainties about future values of the investment.

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to the investment in managed funds at fair value was AED 65 million. A change of 10% in the overall earnings stream of the valuations performed could have an impact of approximately AED 6.5 million (2008: AED 5.7 million) on the equity of the group.

At the reporting date, the exposure to listed equity securities at fair value was AED 3.5 million (2008: AED 2.3 million). A decrease of 10% on the Dubai Financial Market index could have an impact of approximately AED 0.3 million (2008: AED 0.2 million) on the income or equity attributable to the Group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would only impact equity but would not have an effect on profit or loss.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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, amounts due from related parties and finance lease receivable) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in notes 17 and 18. The Group's three largest customers account for approximately 64% of outstanding trade receivable balance at 31 December 2009 (2008: 3 customers - 26%). Amounts due in respect of finance lease receivable are from one customer.

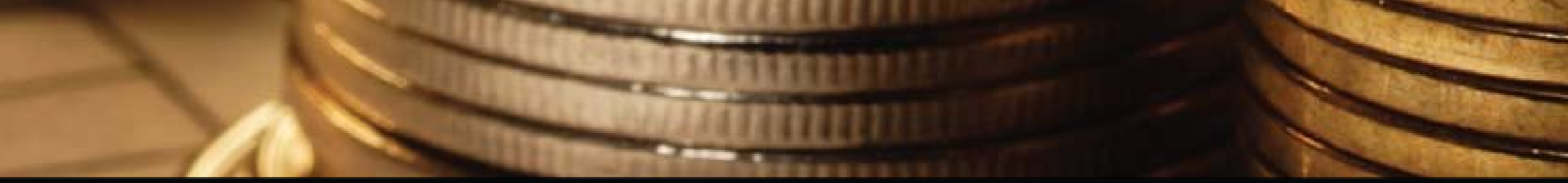
With respect to credit risk arising from other financial assets of the Group, which comprise cash and short term deposits and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group seeks to limit its credit risk to banks by only dealing with reputable banks.

Liquidity risk
The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of both its financial investments and financial assets (eg, accounts receivable and other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, bonds and finance leases. As at 31 December 2009, as a result of the technical breach of covenants, all the Company's interest bearing loans and borrowings and Islamic financial arrangements have become payable on demand and accordingly, reclassified under the heading of “on demand” for the purpose of the maturity profile analysed below.

The management is currently engaged in discussions with the lenders to secure amendments to address the resulting short term maturity profile. Management is confident that the outcome of the discussions with the lenders and the implementation of the recapitalisation plan launched by the Company's Board of Directors on 7 March 2010 (note 2.1) will address the liquidity risk of the Company. As of the date of approval of the consolidated financial statements of the Company, no lender has requested accelerated repayment of its loans and borrowings.

At 31 December 2009, the Group has no unutilised interest bearing loans and borrowings facilities and Islamic financial arrangements (2008: nil).



Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2009 based on undiscounted payments and current market interest rates.

	On demand AED '000	Less than 3 months AED '000	3 to 12 months AED '000	1 to 5 years AED '000	> 5 years AED '000	Total AED '000
At 31 December 2009						
Derivative financial instruments	-	-	15,663	96,690	5,444	117,797
Convertible bond – liability component	-	-	123,250	123,250	-	246,500
Interest bearing loans and borrowings	1,186,969	21,641	38,775	41,117	21,624	1,310,126
Obligations under finance leases	-	1,937	5,812	30,994	27,765	66,508
Islamic financing arrangements	2,362,600	36,399	61,145	157,903	83,237	2,701,284
Accounts and retention payable, due to related parties and other financial liabilities	-	547,444	1,673,795	52,268	-	2,273,507
Bank overdraft	52,007	-	-	-	-	52,007
	3,601,576	607,421	1,918,440	502,222	138,070	6,767,729
At 31 December 2008						
Derivative financial instruments	-	-	486	74,102	38,892	113,480
Convertible bond – liability component	-	-	123,250	246,500	-	369,750
Interest bearing loans and borrowings	-	133,073	31,961	55,307	169,389	389,730
Obligations under finance leases	-	1,937	5,812	30,994	35,514	74,257
Islamic financing arrangements	-	395,625	104,424	1,203,234	942,208	2,645,491
Accounts and retention payable, due to related parties and other financial liabilities	-	306,162	1,067,011	30,831	-	1,404,004
Bank overdraft	233,326	-	-	-	-	233,326
	233,326	836,797	1,332,944	1,651,968	1,186,003	5,230,038

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.

The Company's Board of Directors has launched a comprehensive recapitalisation plan on 7 March 2010 (Note 2.1) which is expected to result in changes to its capital structure during the year ending 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, Islamic financing arrangements, convertible bond – liability component, obligations under finance lease, less cash and short term deposits. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives and available for sale investments.

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management continued

	2009 AED '000	2008 AED '000
Interest bearing loans and borrowings	1,174,444	343,510
Islamic financing arrangements	2,330,327	2,072,785
Mandatory convertible bond – liability component	278,723	375,060
Obligation under finance lease	45,368	48,636
	3,828,862	2,839,991
Less: cash and cash equivalents	(291,947)	(468,633)
Net debt	3,536,915	2,371,358
Equity	1,428,281	2,512,322
Adjustment for cumulative changes in fair values of derivatives and available for sale investments	77,703	112,189
Total capital	1,505,984	2,624,511
Capital and net debt	5,042,899	4,995,869
Gearing ratio	70%	47%

The increase in the gearing ratio is mainly attributable to decrease in equity as a result of loss for the year and increase in net debt due to new borrowings during the year.

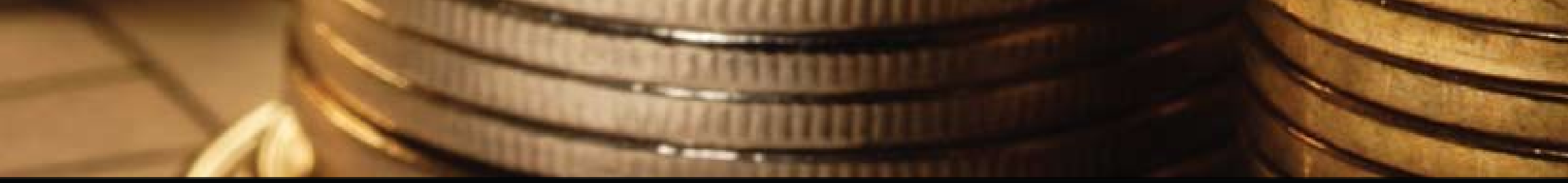
37 FINANCIAL INSTRUMENTS

Fair values

The fair values of the Group's financial instruments are not materially different from their carrying values at the reporting date except for finance lease receivable, certain Islamic financing arrangements, convertible bond – liability component and obligations under finance lease with fixed profit and interest rates. Set out below is a comparison of carrying amounts and fair values of such instruments:

	Carrying amount		Fair value	
	2009 AED '000	2008 AED '000	2009 AED '000	2008 AED '000
Obligations under finance lease	45,368	48,636	39,000	52,004
Islamic financing arrangements	-	375,422	-	390,975
Convertible bond – liability component	278,723	375,060	234,823	332,830
Finance lease receivable	1,169,624	-	946,894	-

The fair value of finance lease receivable has been calculated by discounting the expected future cash flows at market interest rates.



37 FINANCIAL INSTRUMENTS continued

Fair value hierarchy
As at 31 December 2009, the Group held the following financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31 December 2009 AED '000	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000
Assets measured at fair value				
Available for sale investments	68,421	3,450	64,971	-
Interest rate swaps	2,898	-	2,898	-
Liabilities measured at fair value				
Derivatives - Mandatory convertible bonds	43,900	-	43,900	-
Interest rate swaps	73,897	-	73,897	

During the reporting period ending 31 December 2009, 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.

Hedging activities
Cash flow hedges
The Group is exposed to variability in future interest cash flows on bank overdraft, interest bearing loans and borrowings and Islamic financing arrangements which bear interest at a variable rate.

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings and Islamic financing arrangements, the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans.

A schedule indicating the maturity profile of the derivative related assets and liabilities as at 31 December is as follows:

	Within 1 year AED '000	1–3 years AED '000	3–8 years AED '000	Total AED '000
2009:				
Cash inflows (assets)	692	466	1,740	2,898
Cash outflows (liabilities)	(15,663)	(43,572)	(14,662)	(73,897)
Net cash inflow (outflow)	(14,971)	(43,106)	(12,922)	(70,999)
2008:				
Cash inflows (assets)	-	1,864	2,040	3,904
Cash outflows (liabilities)	-	(43,607)	(40,373)	(83,980)
Net cash inflow (outflow)	-	(41,743)	(38,333)	(80,076)

37 FINANCIAL INSTRUMENTS continued

Hedging activities continued
Cash flow hedges continued

All derivative contracts are with counterparty banks in UAE.

The table below shows certain information relating to derivative financial instruments designated as cash flow hedges.

	2009			2008		
	Assets AED '000	Liabilities AED '000	Notional amount AED '000	Assets AED '000	Liabilities AED '000	Notional amount AED '000
Interest rate swaps	2,898	73,897	1,777,213	3,904	83,980	1,718,352

38 EVENTS AFTER THE BALANCE SHEET DATE

(1)Refer to Note 2.1 for details of recapitalisation plan launched by the Company's Board of Directors on 7 March, 2010 approved short term funding from a shareholder amounting to AED 1.3 billion and status of loans and borrowings payable on demand due to technical breach of financial covenant.
(2)Refer to note 22 for details on the sale of an investment in an associate.

39 COMPARATIVE INFORMATION

Certain comparative figures were reclassified to conform with the current year presentation. Such reclassifications as discussed below have no effect on the results or the equity of the Group.

Statement of cash flows
Interest paid amounting to AED 113.5 million for the year ended 31 December 2008 previously shown as part of Operating activities has now been reclassified to Financing activities.

Non-cash adjustment relating to payables and accruals for capital work in progress amounting to AED 228.9 million has been adjusted against movement in the accounts payable under Operating activities.

Notes to the financial statements
Contractor payable and retentions, accrued expenses and amount due to a related party – joint venture have been split between amounts payable in respect of operating expenditure and amounts payable in respect of capital expenditure.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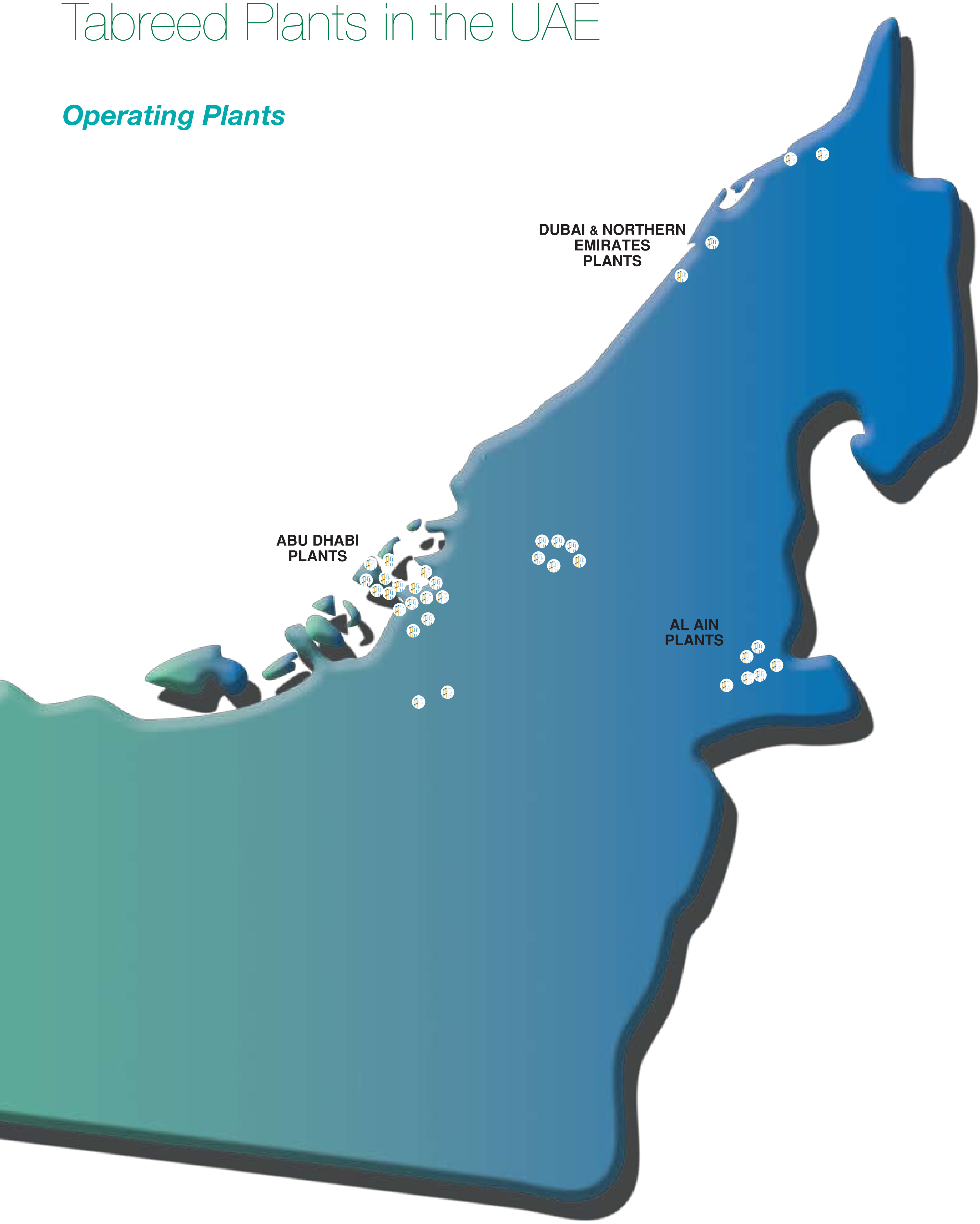
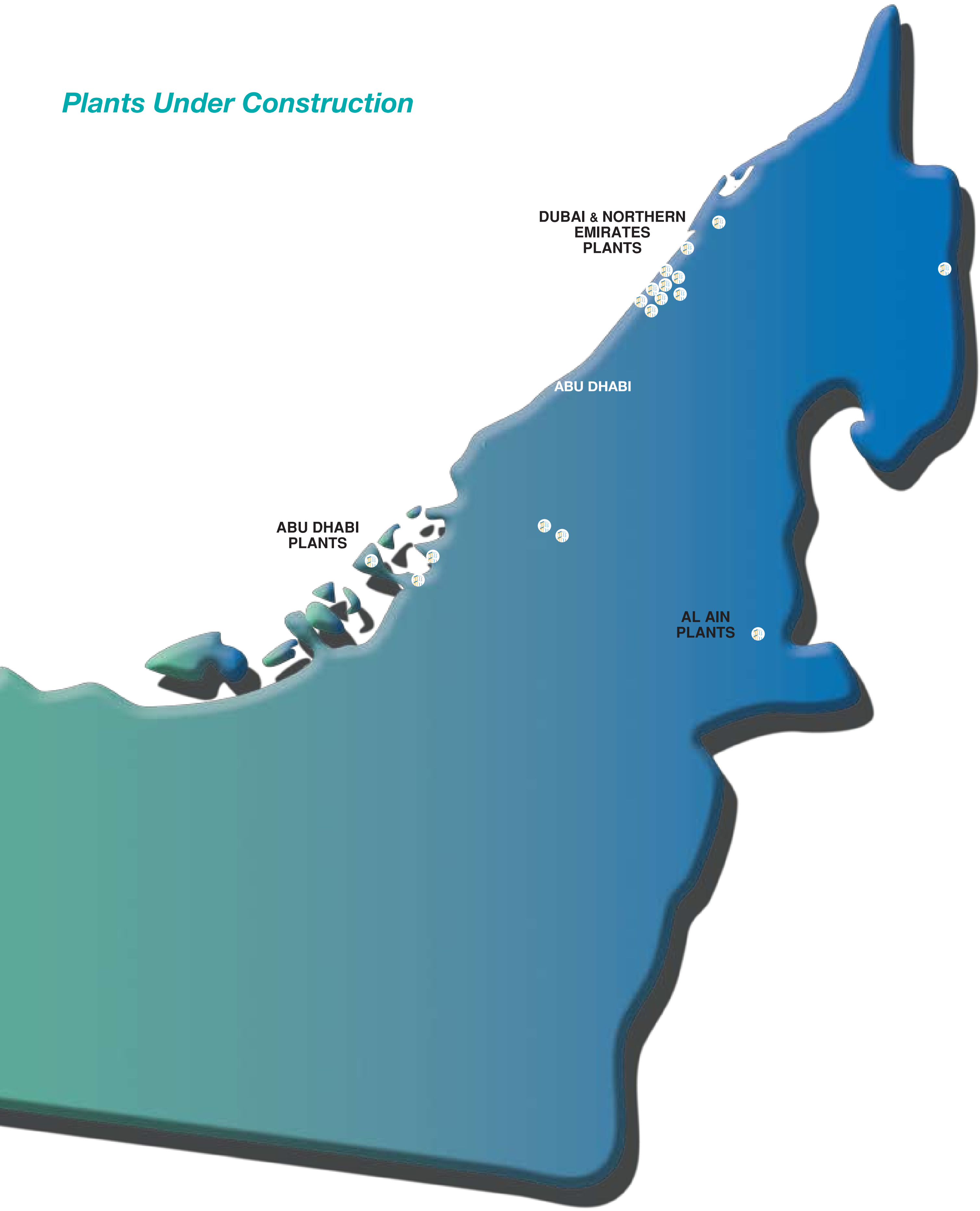
Tabreed Plants in the UAE

Operating Plants



Plants Under Construction



Notes

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