National Central Cooling Company PJSC

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 SEPTEMBER 2010 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL CENTRAL COOLING COMPANY PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2010, comprising of the interim consolidated statement of financial position as at 30 September 2010 and the related interim consolidated statements of income and comprehensive income, for the three month and nine month periods then ended and the related statements of changes in equity and cash flows for the nine month period ended 30 September 2010 and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our conclusion, we draw attention to Note 2.1 to the interim condensed consolidated financial statements which indicates that as of 30 September 2010, the Group's current liabilities exceeded its current assets by AED 5.3 billion and its accumulated losses amounted to AED 1.01 billion. 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 interim condensed 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 interim condensed consolidated financial statements.

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

8 November 2010
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 September 2010 (Unaudited)

	Notes	*Three months ended 30 September* **2010** **AED '000**	*2009* *AED '000*	*Nine months ended 30 September* **2010** **AED '000**	*2009* *AED '000*
Revenues	3	**278,600**	196,916	**710,892**	570,704
Operating costs		**(143,320)**	(107,666)	**(378,152)**	(310,568)
GROSS PROFIT		**135,280**	89,250	**332,740**	260,136
Administrative and other expenses		**(49,105)**	(46,903)	**(140,548)**	(127,110)
Other income		**593**	640	**2,705**	4,238
OPERATING PROFIT		**86,768**	42,987	**194,897**	137,264
Finance costs	3	**(54,868)**	(20,461)	**(125,830)**	(68,971)
Interest income	3	**1,321**	329	**3,081**	4,079
Changes in fair value of derivative liability	3	**(2,200)**	(6,300)	**21,500**	(20,100)
Share of results of associates	3	**5,354**	6,948	**29,551**	18,641
PROFIT FOR THE PERIOD		**36,375**	23,503	**123,199**	70,913
Attributable to:					
Ordinary equity holders of the parent		**35,048**	23,640	**115,736**	53,748
Non-controlling interests		**1,327**	(137)	**7,463**	17,165
		36,375	23,503	**123,199**	70,913
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	**0.02**	0.01	**0.06**	0.03

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2010 (Unaudited)

	Three months ended 30 September		*Nine months ended 30 September*	
	2010	*2009*	***2010***	*2009*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Profit for the period	**36,375**	23,503	**123,199**	70,913
Other comprehensive (loss) income				
Changes in fair value of derivatives in cash flow hedges	**5,002**	(6,580)	**2,163**	(10,652)
Share of changes in fair value of derivatives of associate	**(2,027)**	(1,558)	**(7,972)**	6,958
Changes in fair value of available for sale investments	**(761)**	3,719	**(1,570)**	5,787
Exchange differences arising on translation of overseas operations	**(614)**	391	**(1,960)**	(8)
Other comprehensive (loss) income for the period	**1,600**	(4,028)	**(9,339)**	2,085
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**37,975**	19,475	**113,860**	72,998
Attributable to:				
Ordinary equity holders of the parent	**36,648**	19,612	**106,397**	55,833
Non-controlling interests	**1,327**	(137)	**7,463**	17,165
	37,975	19,475	**113,860**	72,998

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2010 (Unaudited)

	Notes	30 September 2010 AED '000	(Audited) 31 December 2009 AED'000
ASSETS			
Non-current assets			
Capital work in progress	5	**1,323,642**	1,824,867
Property, plant and equipment		**4,077,522**	3,310,103
Intangible assets		**37,600**	37,600
Investments in associates	6	**300,028**	239,655
Available for sale investments		**-**	68,421
Loan to an associate		**15,656**	21,084
Finance lease receivable		**1,234,175**	1,135,762
		6,988,623	6,637,492
Current assets			
Inventories		**36,299**	36,307
Trade and other receivables		**740,857**	587,222
Loan to an associate		**9,781**	9,781
Finance lease receivable		**73,856**	33,862
Contract work in progress		**38,151**	30,813
Cash and short term deposits		**395,616**	343,954
		1,294,560	1,041,939
Assets classified as held for sale		**-**	33,800
TOTAL ASSETS		**8,283,183**	7,713,231
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	7	**1,213,380**	1,213,380
Treasury shares		**(10,050)**	(10,050)
Statutory reserve		**47,433**	47,433
Accumulated losses		**(1,012,213)**	(1,045,766)
Foreign currency translation reserve		**(2,652)**	(692)
Cumulative changes in fair value of derivatives and available for sale investments		**(85,082)**	(77,703)
Mandatory convertible bond – equity component		**1,301,679**	1,301,679
		1,452,495	1,428,281
Non - controlling interests		**93,897**	18,385
Total equity		**1,546,392**	1,446,666
Non-current liabilities			
Retentions payable and deferred income		**51,976**	76,608
Obligations under finance lease		**35,341**	38,004
Mandatory convertible bond – liability component		**-**	160,847
Employees' end of service benefits		**16,820**	16,116
		104,137	291,575
Current liabilities			
Bank overdraft		**53,754**	52,007
Accounts payable and accruals		**1,366,761**	1,892,972
Advances		**400,000**	400,000
Interest bearing loans and borrowings	9	**2,222,146**	1,174,444
Islamic financing arrangements	9	**2,318,310**	2,330,327
Mandatory convertible bond – liability component		**264,319**	117,876
Obligations under finance lease		**7,364**	7,364
		6,632,654	5,974,990
Total liabilities		**6,736,791**	6,266,565
TOTAL EQUITY AND LIABILITIES		**8,283,183**	7,713,231

Khadem Abdulla Al Qubaisi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2010 (Unaudited)

	Attributable to equity holders of the parent									
	Share capital AED '000	*Treasury shares AED '000*	*Statutory reserve AED '000*	*Retained earnings/ (Accumulated losses) AED '000*	*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*	*Total AED '000*	*Non-controlling interests AED '000*	*Total equity AED '000*
Balance at 1 January 2009	1,213,380	(10,050)	47,433	72,733	(664)	(112,189)	1,301,679	2,512,322	161,766	2,674,088
Profit for the period	-	-	-	53,748	-	-	-	53,748	17,165	70,913
Other comprehensive income (loss) for the period	-	-	-	-	(8)	2,093	-	2,085	-	2,085
Total comprehensive income (loss) for the period	-	-	-	53,748	(8)	2,093	-	55,833	17,165	72,998
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(21,911)	(21,911)
Balance at 30 September 2009 (unaudited)	1,213,380	(10,050)	47,433	126,481	(672)	(110,096)	1,301,679	2,568,155	157,020	2,725,175
Balance at 1 January 2010	1,213,380	(10,050)	47,433	(1,045,766)	(692)	(77,703)	1,301,679	1,428,281	18,385	1,446,666
Profit for the period	-	-	-	115,736	-	-	-	115,736	7,463	123,199
Other comprehensive income (loss) for the period	-	-	-	-	(1,960)	(7,379)	-	(9,339)	-	(9,339)
Total comprehensive income (loss) for the period	-	-	-	115,736	(1,960)	(7,379)	-	106,397	7,463	113,860
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary (note 8)	-	-		(82,183)	-	-	-	(82,183)	82,183	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(14,134)	(14,134)
Balance at 30 September 2010 (unaudited)	**1,213,380**	**(10,050)**	**47,433**	**(1,012,213)**	**(2,652)**	**(85,082)**	**1,301,679**	**1,452,495**	**93,897**	**1,546,392**

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 September 2010 (Unaudited)

	Nine month period ended 30 September 2010 AED '000	*Nine month period ended 30 September 2009 AED '000*
OPERATING ACTIVITIES		
Profit for the period	**123,199**	70,913
Non cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property, plant and equipment	**74,102**	60,287
Share of results of associates	**(29,551)**	(18,641)
Net movement in employees' end of service benefits	**704**	(1,372)
Interest income	**(3,081)**	(4,079)
Finance income arising from finance lease	**(46,721)**	-
Finance costs	**125,830**	68,971
Gain on disposal of property plant and equipment	**-**	(674)
Loss on disposal of financial assets carried at fair value through income statement	**-**	79
Changes in fair value relating to financial assets carried at fair value through income statement	**-**	(1,325)
Changes in fair value of derivative liability	**(21,500)**	20,100
	222,982	194,259
Working capital adjustments:		
Inventories	**8**	39,960
Trade and other receivables and prepayments	**(91,925)**	(106,030)
Contract work in progress	**(7,338)**	181,634
Accounts payable and accruals	**124,714**	(5,979)
Net cash flows from operating activities	**248,441**	303,844
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(34,689)**	(8,200)
Proceeds from disposal of property, plant and equipment	**-**	706
Investment in associates	**(40,570)**	(100)
Purchase of intangible assets	**-**	(316)
Payments against capital work in progress	**(1,026,613)**	(1,338,413)
Proceeds on disposal of financial assets carried at fair value through income statement	**-**	60,086
Advances received	**-**	400,000
Proceeds from disposal of investment in bank deposits	**-**	226,788
Proceeds from disposal of available for sale investments	**35,342**	-
Repayment of loan by an associate	**5,428**	-
Interest received	**3,081**	4,079
Net cash flows used in investing activities	**(1,058,021)**	(655,370)
FINANCING ACTIVITIES		
Interest bearing loans and borrowings received	**1,075,000**	942,763
Interest bearing loans and borrowings repaid	**-**	(96,848)
Islamic financing arrangement received	**-**	368,000
Islamic financing arrangement repaid	**(20,000)**	(405,845)
Coupon payment of convertible bond	**-**	(123,250)
Transaction cost on interest bearing loans and borrowings	**-**	(14,175)
Transaction cost on Islamic financing arrangements	**-**	(8,675)
Payments for obligations under finance lease	**(2,663)**	(2,422)
Interest paid	**(178,708)**	(143,794)
Dividends paid to non-controlling interests	**(14,134)**	(21,911)
Net cash flows from financing activities	**859,495**	493,843
INCREASE IN CASH AND CASH EQUIVALENTS	**49,915**	142,317
Cash and cash equivalents at 1 January	**291,947**	241,845
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**341,862**	384,162

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

National Central Cooling Company PJSC ("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). The principal activities of the Company are to construct, own, assemble, install, operate and maintain cooling and air conditioning systems. In addition, the Company's activities include the distribution and sale of chilled water for use in district cooling technologies. The Company's registered office is located at P.O. Box 32444, Dubai, United Arab Emirates.

The interim condensed consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 8 November 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

At 30 September 2010, the Group's current liabilities exceeded its current assets by AED 5.3 billion (31 December 2009: AED 4.9 billion) and its accumulated losses amounted to AED 1.01 billion (31 December 2009: AED 1.04 billion). 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 2.4 billion (31 December 2009: AED 3.2 billion), net of prepaid finance costs, which were due more than one year from the date of interim consolidated statement of financial position based on their respective original maturity profile but have been reclassified to current liability in the interim consolidated statement of financial position as at 30 September 2010. 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 30 September 2010, the Company had breaches in relation to its financial covenants 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.

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

1. 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) out of which an amount of AED 1.1 billion has been drawn by the Company during the period;

2. Expected profitability and operating cash flows in the 12 month period ending 30 September 2011, which together with the short term loan in (1) above and the finalisation of the recapitalisation programme are expected to cover funding shortfall relating to anticipated operating and capital expenditure and finance costs up to 30 September 2011; and

2.1 FUNDAMENTAL ACCOUNTING CONCEPT continued

3. During the period, the Company's Board of Directors convened an Extra-ordinary General Assembly (the "EGA") in compliance with the requirements of Article (285) of the UAE Commercial Companies Law of 1984 (as amended) which states that if the losses of a joint stock company amount to half its capital, the Board of Directors must call a meeting of the extra ordinary general assembly and decide whether the Company should continue or be dissolved before the duration specified in its articles.

An EGA was held on 30 May 2010 and the following resolutions were passed at that EGA:

- Approving the continuation of the Company pursuant to Article (285) of the UAE Commercial Companies Law;
- Amending articles (44) and (58) of the articles of association of the Company, with immediate effect, preventing Board members who are attending a general assembly meeting from voting on matters constituting a personal benefit to that Board member and allowing the Board of Directors to set aside net profits to an additional reserve account of the Company and to a debt reserve account of the Company.
- Granting the Board full authority to implement a cancellation of up to 970 million shares of AED 1 each on a pro rata basis;
- Granting the Board full authority to issue, or guarantee, up to AED 4.2 billion of bonds or sukuk;
- Granting the Board full authority to enter into negotiations with creditors of the Company and the holders of the 2006 Sukuk and/or the 2008 Sukuk to revise terms and conditions;
- Granting the Board full authority to increase the Company's share capital.

4. As of the date of approval of the interim condensed 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 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 interim condensed consolidated financial statements.

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements have been presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Company. All values are rounded to the nearest thousand (AED '000) except otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2009. In addition, results for the nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

2.3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009, except for the adoption of the following new standards and interpretations as of 1 January 2010, noted below:

The Group has adopted the following new amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRS 2 Share-based Payments: Group Cash-settled Share Based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedge Items effective 1 July 2009
- Improvements to IFRS (April 2009)

The adoption of the above standards and interpretations did not have a material effect on the financial performance and position of the Group.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into four operating segments based on their products and services, 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 the Company'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 interim condensed consolidated financial statements. However, Group financing (including finance costs, interest income, and changes in fair value of derivatives) is managed on a group basis and is not allocated to operating segments.

3 SEGMENT INFORMATION continued

The following table present revenue and profit information regarding the Group's operating segments for the nine months ended 30 September 2010 and 2009, respectively.

	Chilled water *AED '000*	*Contracting* *AED '000*	*Manufacturing* *AED'000*	*Services* *AED'000*	*Eliminations* *AED'000*	*Total* *AED'000*
Nine months ended 30 September 2010 (unaudited):						
Revenue:						
External revenue	**475,946**	**111,476**	**52,218**	**50,664**	**-**	**690,304**
Finance lease income	**20,588**	**-**	**-**	**-**	**-**	**20,588**
Inter–segment revenue	**-**	**22,940**	**12,659**	**7,530**	**(43,129)**	**-**
Total revenue	**496,534**	**134,416**	**64,877**	**58,194**	**(43,129)**	**710,892**
Operating costs	**(260,268)**	**(106,208)**	**(46,139)**	**(9,177)**	**43,640**	**(378,152)**
Gross profit	**236,266**	**28,208**	**18,738**	**49,017**	**511**	**332,740**
Segment results	**140,766**	**23,520**	**11,890**	**19,220**	**(499)**	**194,897**
Finance costs	-	-	-	-	-	**(125,830)**
Interest income	-	-	-	-	-	**3,081**
Changes in fair value of derivative liability	-	-	-	-	-	**21,500**
Share of results of associates	-	-	-	-	-	**29,551**
Profit for the period						**123,199**
Nine months ended 30 September 2009 (unaudited):						
Revenue:						
External revenue	258,478	126,543	129,362	56,321	-	570,704
Inter–segment revenue	-	11,227	527	8,831	(20,585)	-
Total revenue	258,478	137,770	129,889	65,152	(20,585)	570,704
Operating costs	(132,403)	(104,861)	(84,516)	(6,402)	17,614	(310,568)
Gross profit	126,075	32,909	45,373	58,750	(2,971)	260,136
Segment results	53,905	31,402	36,111	20,601	(4,755)	137,264
Finance costs	-	-	-	-	-	(68,971)
Interest income	-	-	-	-	-	4,079
Changes in fair value of derivative liability	-	-	-	-	-	(20,100)
Share of results of associates	-	-	-	-	-	18,641
Profit for the period						70,913

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Three months ended 30 September		*Nine months ended 30 September*	
	2010	*2009*	***2010***	*2009*
Profit for the period attributable to ordinary equity holders of the parent for basic and diluted earnings (*AED '000*)	**35,048**	23,640	**115,736**	53,748
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	**1,203,330**	1,203,330	**1,203,330**	1,203,330
Effect of convertible bonds ('000)	**674,603**	674,603	**674,603**	674,603
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bonds ('000)	**1,877,933**	1,877,933	**1,877,933**	1,877,933
Basic and diluted earnings per share (AED)	**0.02**	0.01	**0.06**	0.03

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

5 CAPITAL WORK IN PROGRESS

During the nine month period ended 30 September 2010 the Group has incurred expenditure of AED 423 million (period ended 30 September 2009: AED 1,186 million) primarily relating to construction of district cooling plants. Included in the additions to capital work in progress are capitalised finance costs amounting to AED 91 million (2009: AED 109 million).

6 INVESTMENTS IN ASSOCIATES

The Company made an additional investment of AED 40,570 thousand in Tabreed District Cooling Company (Saudi), an associate, to contribute to its share in increase in share capital of the associate (note 13).

7 ISSUED CAPITAL

The shareholders of the Company in an EGA held on 30 May 2010 granted the Board of Directors full authority to implement a cancellation of up to 970 million shares of AED 1 each on a pro rata basis. The Board of Directors in their meeting held on 9 August 2010 resolved to affect the capital reduction by way of cancellation of 970,000,000 shares of AED 1 each in the Company, such that the share capital of the Company will be reduced from AED 1,213,380 thousand to AED 243,380 thousand. The Capital Reduction will be accounted for in the consolidated financial statements of the Company on receipt of final approval of the Capital Reduction from the Emirates Securities and Commodities Authority and the Ministry of Economy.

8 ACQUISITION OF NON-CONTROLLING INTERESTS

During the period, the Company acquired an additional 16.3% shareholding interest in an existing subsidiary. This resulted in increase in the Company's holding in that subsidiary from 74% to 90.3%.

The Group's accounting policy for such acquisition is using 'entity concept method'. Under this method, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid are recognised directly in equity (in accumulated losses) and attributed to the owners of the parent.

9 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

The Group made the following total drawdowns and repayments of debt during the period:

	Drawdowns AED '000	*Repayments* AED '000
Interest bearing loans and borrowings (note a)	**1,075,000**	**-**
Islamic financing arrangements	**-**	**(20,000)**

a) In February 2010, the Board of Directors of the Company approved short term funding from a shareholder amounting to AED 1.3 billion. During the period ended 30 September 2010, an amount of AED 1,075 million has been drawn on this facility.

10 COMMITMENTS AND CONTINGENCIES

Commitments
The Board of Directors has authorised future capital expenditure amounting to AED 560 million as of 30 September 2010 (31 December 2009: AED 1,108 million).

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

	At 30 September 2010 AED '000	*At 31 December 2009 AED '000*
Performance guarantees	**89,785**	64,462
Advance payment guarantees	**20,203**	20,471
Financial guarantees	**10,359**	9,248
	120,347	94,181

11 BANK BALANCES AND CASH

Geographical concentration of bank balances and cash is as follows:

	At 30 September 2010 AED '000	*At 31 December 2009 AED '000*
Within UAE	**356,116**	198,987
Outside UAE	**39,500**	144,967
	395,616	343,954

12 COMPARATIVE INFORMATION

Certain comparative figures were reclassified to conform to the current period 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 143.8 million for the period ended 30 September 2009 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 39.7 million has been adjusted against movement in the accounts payable under Operating activities.

13 SUBSEQUENT EVENTS

On 15 August 2010, the Company published notice of the Capital Reduction in two daily Arabic newspapers and on 14 October 2010, the period for creditors of the Company to object to the Capital Reduction expired without the Company having received any written notice from any creditor objecting to the Capital Reduction.

As a result of latest estimates of the project capital costs and agreed debt financing levels for Tabreed District Cooling Company (Saudi), additional investment contribution required in the associate has been reduced and as a result AED 18,497 thousand of the AED 40,570 thousand (note 6) has been returned to the Company in October 2010.