

# 2014 Annual Report

## Delivering innovative district cooling solutions to landmark projects across the GCC



Yas Island  
Abu Dhabi



Dubai Metro  
Dubai



The Pearl  
Doha



Jabal Omar  
The Holy City  
of Mecca

Abu Dhabi, UAE

Abu Dhabi Mall  
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Al Maryah Island  
Abu Dhabi



**H.H. Sheikh Khalifa Bin Zayed Al Nahyan**  
President of the United Arab Emirates



**H.H. Sheikh Mohammed Bin Zayed Al Nahyan**  
Abu Dhabi Crown Prince and Deputy Supreme  
Commander of the UAE Armed Forces

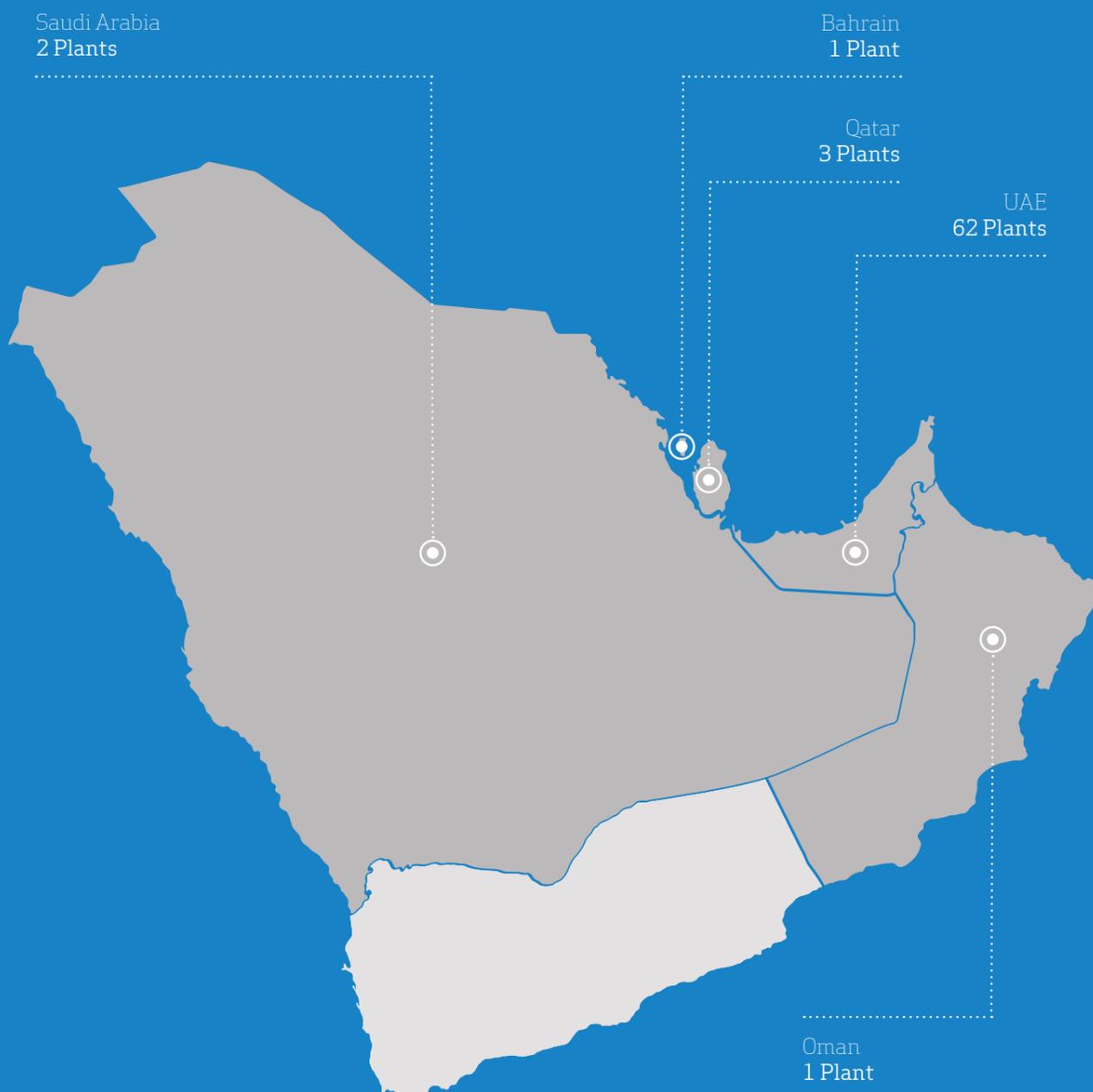


**H.H. Sheikh Mohammed Bin Rashid Al Maktoum**  
Vice President and Prime Minister of the UAE  
and Ruler of Dubai

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# Our Regional Presence

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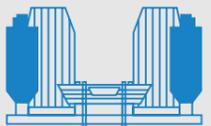
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# Al Maryah Island

## Abu Dhabi, United Arab Emirates

In 2014, a consortium comprising Tabreed and Mubadala Infrastructure Partners acquired the existing district cooling plant on Abu Dhabi's Al Maryah Island, a 114 hectare mixed-use development designed to become the capital's new Central Business District. This acquisition (which represents an installed capacity of up to 80,000 RT) secured for us the exclusive right to provide district cooling services to all the projects on the Island.



Abu Dhabi Global Market (ADGM) Square

ADGM Square's four office towers & the ADGM Building form a striking waterfront grouping that creates a strong business hub for the Island and sets new standards in premium real estate developments in the UAE.



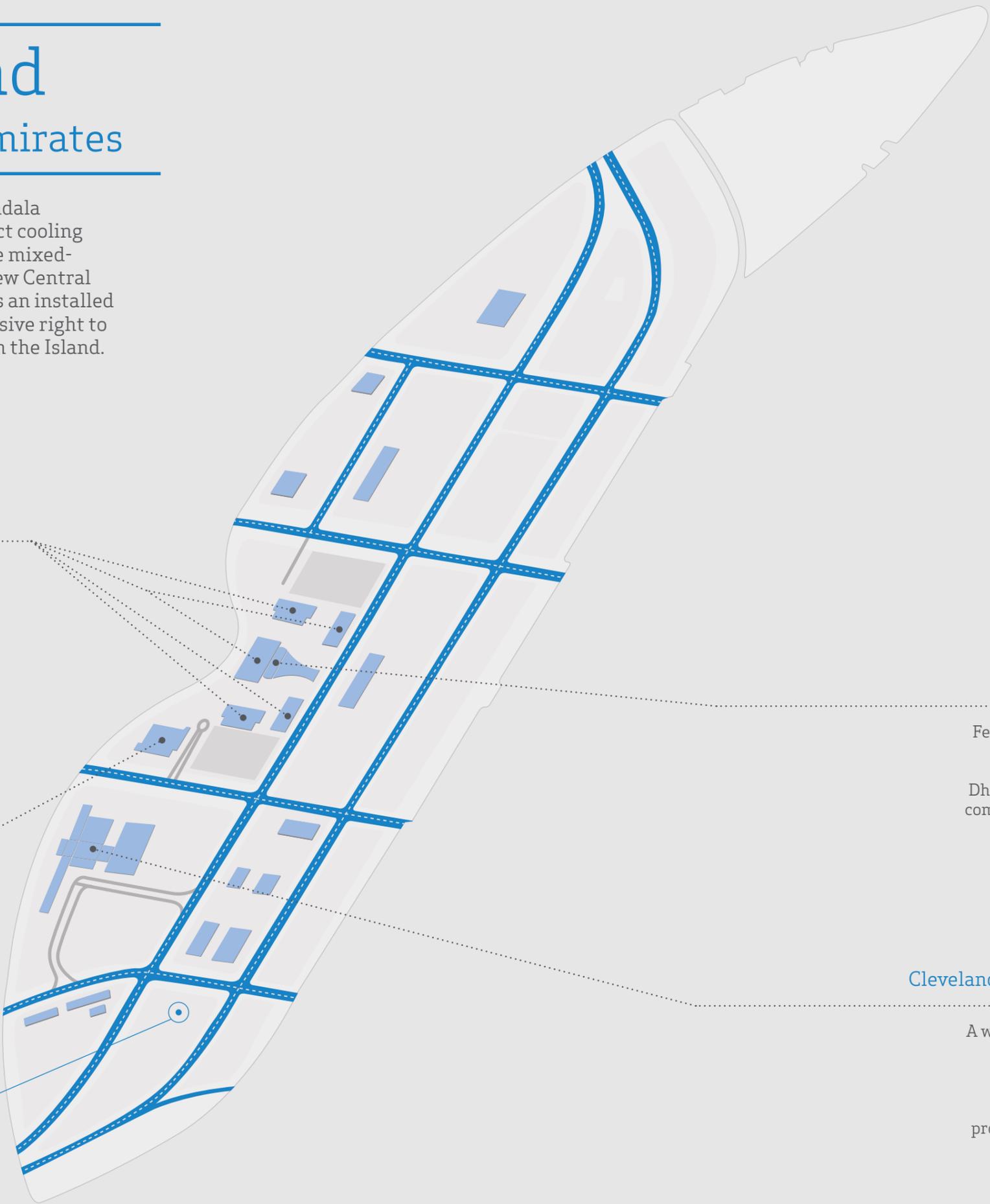
Rosewood Abu Dhabi

Defining new standards, this five-star hotel offers locals and tourists a distinct and personalized luxury lifestyle experience in the heart of the capital.



Tabreed's Plant

Via this plant, Tabreed currently delivers a total of 43,900 RT to all the existing developments on Al Maryah Island.



The Galleria

Featuring an unrivalled collection of designer labels and premium brands, as well as sophisticated cuisines, The Galleria is Abu Dhabi's new premier shopping destination and comprises one of the highest concentrations of luxury brands in the Middle East.



Cleveland Clinic Abu Dhabi

A world-class multispecialty hospital designed to address a range of complex and critical care requirements unique to the Abu Dhabi population. The 364 bed hospital provides direct access to the world's best healthcare providers and Cleveland Clinic's unique model of care right here in the UAE.

# Overview of 2014

## January

Energy savings in 2013 surpassed one billion kilowatt hours, which translates into the elimination of over half a million tons of CO<sub>2</sub> emissions from our atmosphere

## March

AGA approved a dividend distribution to shareholders of five fils/share for FY 2013

Shareholders re-elected Board of Directors to another three year term

Shareholders also elected two new members to the Board of Directors: Fahad Saeed Mohamed Al Raqbani and Mohammed Al Huraimel Al Shamsi

## April

Inaugural Corporate Social Responsibility Report launched

First quarter net profit increased by 22% to AED 58 million

## May

In response to higher cooling demand, our Qatari affiliate, "Qatar Cool", signed a contract for the construction of a fourth district cooling plant in Qatar

## June

Renewed master services agreement with the United Arab Emirates Armed Forces. The new contract is valued at AED 6 billion

Mubadala converted AED 134 million of mandatory convertible bonds into shares, increasing Tabreed's total issued shares to approximately 738.5 million

## June

Won two silver awards at the 105<sup>th</sup> annual International District Energy Association conference in Seattle, USA

Signed a new agreement with UAE University to provide them with 17,500 tons of cooling for their current and future projects

## July

In a transaction valued at over AED one billion, a consortium comprising Tabreed and Mubadala Infrastructure Partners acquired a 30-year concession to be the exclusive provider of district cooling to the developments on Al Maryah Island in Abu Dhabi

Net profit for the first half of the year reached AED 149 million, an increase of 17%

## September

Signed a long term concession agreement with Meraas Leisure and Entertainment to provide 45,600 tons of cooling to the new Dubai Parks and Resorts development in Jebel Ali

## October

Net profit for the first nine months of the year increased by 21% to AED 245 million

## December

Successfully completed the refinancing of AED 2.6 billion debt facilities. The improved conditions, margins, and tenor in the new agreement reflect Tabreed's established position as a leading utility infrastructure business

Full year net profit reached AED 326 million, a 20% increase over 2013

# Key Achievements of 2014



Net profit reached **AED 326 million** - an increase of **20%** from 2013

69 Plants in the GCC

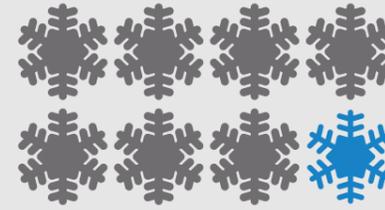


Cash flow from operations reached **AED 549 million**

Qatari affiliate began construction on its **4<sup>th</sup> plant in Qatar**



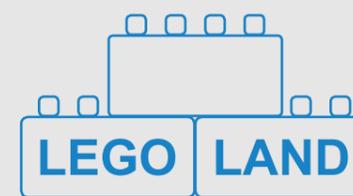
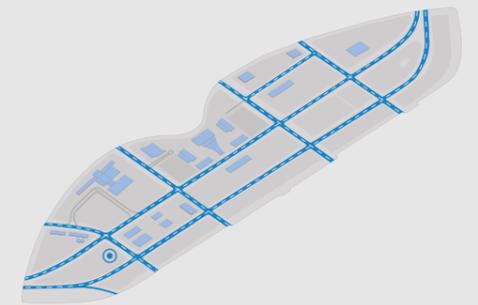
Renewed contract with UAE Armed Forces, valued at **AED 6 billion**



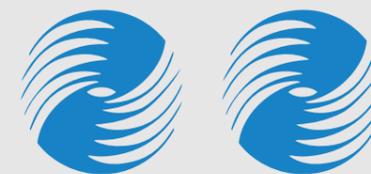
**118,273 RT** of new customer connections added

Total group connected capacity **= 957,000 RT**

Acquired a district cooling plant on Abu Dhabi's Al Maryah Island



Signed a contract to provide **45,600** tons of cooling to Dubai Parks and Resorts



Won 2 silver awards at the International District Energy Association conference in USA

Signed a new agreement with UAE University to provide them with **17,500 RT**



# Historical Highlights: 2011-2014

As we have done in previous years, 2014 saw Tabreed continue to grow its business in a stable and sustainable manner. The company delivered strong results, and improved on its performance over the past several years.

We continued to execute on our business strategy, which is anchored in the robust performance of the core chilled water business. At the end of 2014, the chilled water segment contributed 93% of our overall group revenue. This is a strong testament to our successful transformation into a utility infrastructure company.

In 2014, group revenue reached over AED 1.1 billion, and revenue from the core chilled water business grew by 1% (as compared to the previous year) to just over AED 1.03 billion.

More importantly, net profit saw a significant increase, reaching AED 325.7 million (a 20% increase from 2013). This increase can be attributed to not only the new connections we have made throughout the year, but also to our commitment to operating our business as efficiently as possible and leveraging one of our main competitive advantages - our economies of scale.

Tabreed's strong financial performance is a direct result of the company's robust operations. The Tabreed of today is a vastly different company from the Tabreed of four years ago, and one look at the improved operational performance demonstrates why Tabreed has become a solid company.

Today, we have an industry leading 69 district cooling plants operating in 5 countries across the GCC - making us the region's only district cooling provider that has established themselves across different markets.

Our plants are located in the UAE (62 plants), Qatar (3 plants), Saudi Arabia (2 plants), Oman (1 plant) and Bahrain (1 plant).

Our connected capacity has likewise continued to increase with our total capacity across the region now reaching 957,000 RT - an increase of over 14% from 2013. The major contributors to our regional growth have been Saudi Arabia and Qatar. In 2014, we added over 31,000 RT in Saudi Arabia, while in Qatar we connected over 16,000 RT.

While we have established ourselves across the GCC, we remain focused on our home market of the UAE, where in 2014, our total connected capacity increased by over 69,000 RT from 2013.

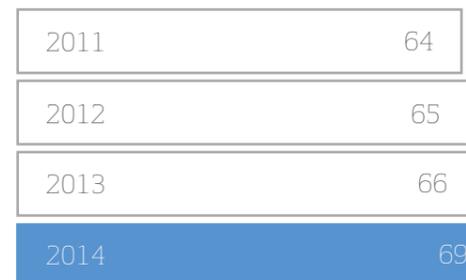
Our customer profile in the UAE remains strong, with a large percentage of our capacity contracted to well-established government entities.



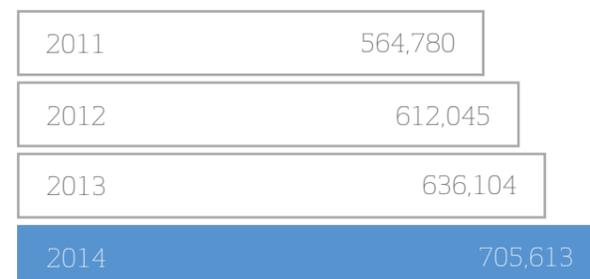
Group Revenue (Millions AED)



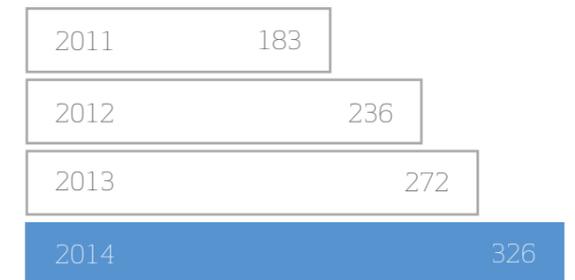
Group EBITDA (Millions AED)



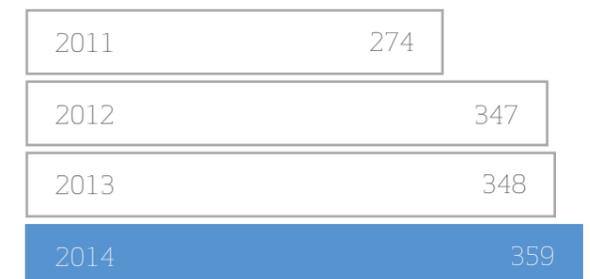
Number of Plants (Group)



UAE Connected Capacity (RT)



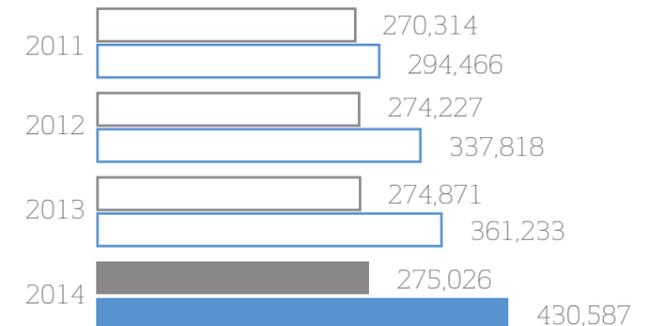
Net Profit (Millions AED)



Chilled Water Profit from Operations (Millions AED)



Group Connected Capacity (RT)



UAE Customers (RT)

□ Government / □ Non-Government

# Yas Island

## Abu Dhabi, United Arab Emirates

In July 2009, Tabreed completed the construction of its district cooling plant on Yas Island, Abu Dhabi's premier leisure and entertainment destination. The plant, located on Yas Island West and adjacent to the Sheikh Khalifa Highway, provides cooling to all the current and future developments on the Island.



### Yas Mall

Inaugurated in November 2014, Yas Mall is a new and vibrant shopping destination with three floors of leading international and regional retail and restaurant brands, a 20 screen state-of-the-art cinema and a family entertainment zone.



### Yas Waterworld

Launched in January 2013, Yas Waterworld is the UAE's first mega waterpark. The park features a range of 43 rides, slides and attractions, with five unique rides never before seen in the world.



### Ferrari World

Inspired by the rich Ferrari brand and its Italian heritage, Ferrari World is a one-of-a-kind amusement park that incorporates thrilling rides, including Formula Rossa, the world's fastest roller coaster, as well as themed stores and restaurants.



### Tabreed's Plant

Via this plant, Tabreed currently delivers a total of 52,300 RT to all the existing developments on Yas Island.

### Yas Marina Circuit

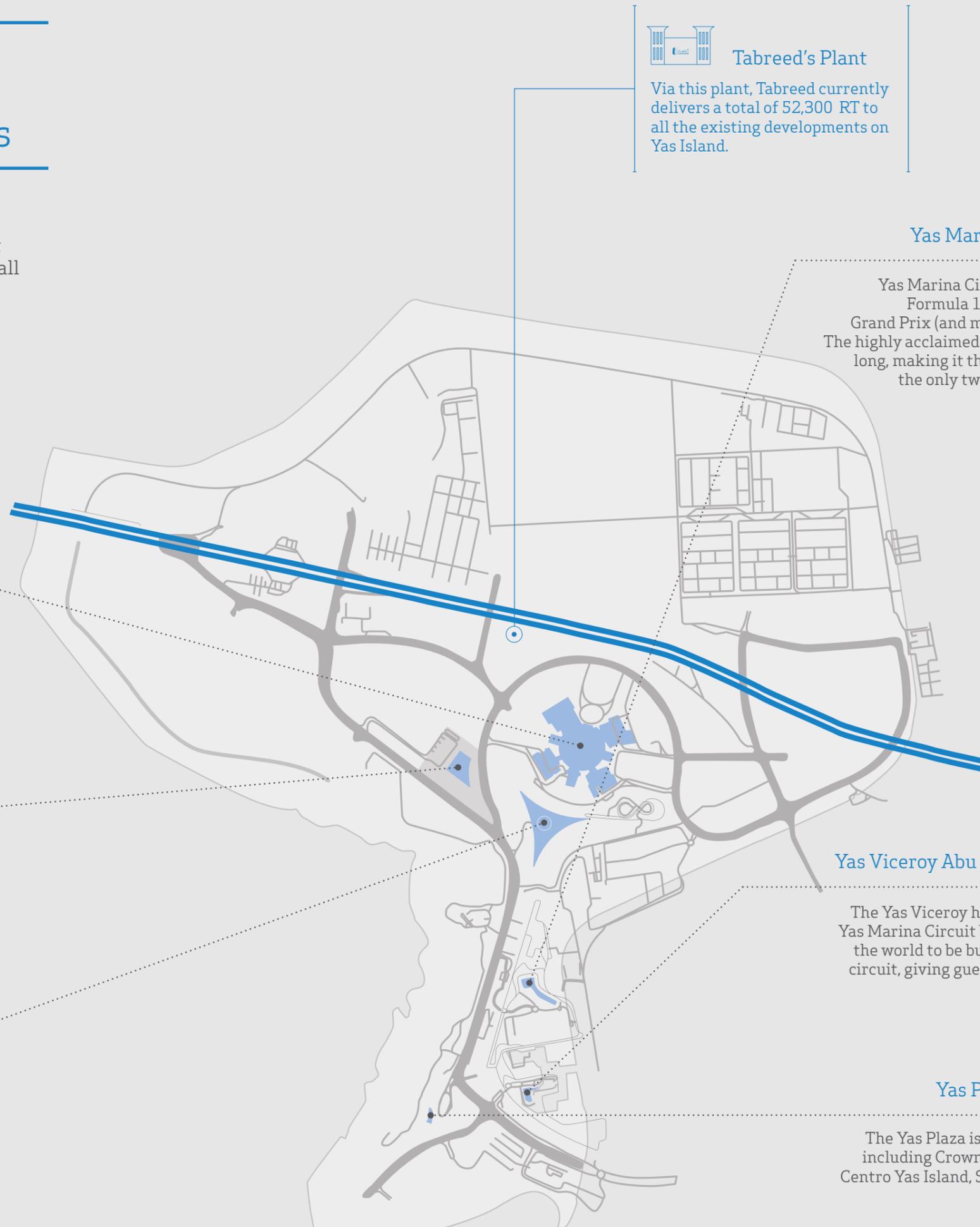
Yas Marina Circuit is home to the annual Formula 1 Etihad Airways Abu Dhabi Grand Prix (and many more exciting events). The highly acclaimed circuit is 5.554 kilometers long, making it the sixth-longest circuit and the only twilight race on the calendar.

### Yas Viceroy Abu Dhabi

The Yas Viceroy hotel not only overlooks the Yas Marina Circuit but is the first new hotel in the world to be built directly over an F1 race circuit, giving guests an unparalleled view of exciting racing events.

### Yas Plaza Hotels

The Yas Plaza is home to six leading hotels including Crowne Plaza, Rotana Yas Island, Centro Yas Island, Staybridge Suites, Park Inn and Radisson Blu.



# Chairman's Message

From both an operational and financial perspective, 2014 was a strong year for Tabreed. Net profit reached AED 326 million, an increase of 20% over the previous year, while we also added over 118,000 tons of cooling to our group capacity, which now approaches one million tons.

Tabreed has firmly established itself as a leading partner to government and private organizations across the GCC. Our services are now delivered to many of the region's most critical national projects, from Abu Dhabi and Dubai, to Qatar and the Kingdom of Saudi Arabia.

In our home market of the UAE, we reached many important operational milestones, and continued to grow the portfolio of customers we support across the Emirates.

In Abu Dhabi, we completed the AED 1.05 billion acquisition in a consortium with MIP of the existing district cooling plant on Al Maryah Island, the capital's burgeoning Central Business District. We have also renewed our master services agreement with the United Arab Emirates Armed Forces (UAEAF), valued at AED 6 billion. Tabreed has a long and proud history with the UAEAF dating back to 1999, when they commissioned us to build our first plant in Sweihan.

In Dubai, we strengthened our position with the signing of a long-term concession agreement with Meraas Leisure and Entertainment to provide 45,600 tons of cooling to the new Dubai Parks and Resorts development in Jebel Ali. Today, we deliver a total of 95,290 tons of cooling via 18 plants to Dubai based customers, which include vital infrastructure projects such as the Dubai Metro.

In Qatar, where we operate through our affiliate Qatar Cool, we added over 16,000 tons of cooling, and began the construction on a fourth plant to service major projects across the country. And in Saudi Arabia, we connected over 31,000 tons to several of the Kingdom's high-profile developments including the Jabal Omar project in the Holy City of Mecca.

Since our formation 15 years ago, we have continued to grow our business and today we operate 69 plants that supply district cooling services to some of the region's most iconic projects. This remarkable growth can only be achieved through the hard-work and dedication of our employees and the unwavering commitment of our shareholders; all of whom I would personally like to thank for their contribution to our success.



“ In our home market of the UAE, we reached many important operational milestones, and continued to grow the portfolio of customers we support across the Emirates ”

**Waleed Al Mokarrab Al Muhairi**  
Chairman

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# CEO's Message

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2014 was another strong year for Tabreed, as we continued to consolidate our company into a stable and profitable utility infrastructure business. As with previous years, 2014 reinforced our decision to focus on the core chilled water business, with over 118,000 tons of cooling (RT) connected to GCC customers throughout the year.

This significant accomplishment was achieved through both acquisitive and organic growth.

In a consortium with Mubadala Infrastructure Partners we acquired a 30-year concession to be the exclusive provider of district cooling services to all the developments on Al Maryah Island. This plant, located at the heart of Abu Dhabi's new Central Business District and luxury lifestyle destination, added over 43,000 RT to our current capacity, with the potential for a further 40,000 RT as more projects come online in the future.

We also maintained our focus on maximizing the yield on our existing assets by making additional connections to the district cooling plants we have already built.

In the UAE, we connected many new projects to our network, ranging from the Gate Towers on Al Reem Island to the Yas Mall in Abu Dhabi. Likewise across the region, we continued to grow our capacity organically by connecting over 28,000 RT to the Jabal Omar project in the Holy City of Mecca, amongst others.

Additionally, we continued to focus on strengthening our balance sheet, and the year concluded on a positive note with the successful completion of the refinancing of our existing AED 2.6 billion debt. The improved conditions, margins, and tenor in the new agreement reflect Tabreed's established position as a leading utility infrastructure business, and are yet another endorsement of our financial strength and the market's confidence in Tabreed's future outlook.

Consequently, the Tabreed of today is all about stability of earnings, predictable revenue streams, sustainable profits, and a positive future outlook that positions us well for future growth.

These large strides that we have taken over the past several years, and the company's robust performance in 2014 specifically, are the outcome of the hard work of our employees, whom I would like to thank for their commitment and contribution to our success. I would also like to thank our Board of Directors for their guidance and support throughout the year.



“The Tabreed of today is all about stability of earnings, predictable revenue streams, sustainable profits, and a positive future outlook”

**Jasim Husain Thabet**  
Chief Executive Officer

# Dubai Metro

## Dubai, United Arab Emirates

Spanning 75 kilometers in length, the Dubai Metro is the first infrastructure project of its kind in the Arabian Peninsula. As the world's longest driverless and fully automated metro network, the Dubai Metro connects major locations throughout the Emirate and helps alleviate traffic congestion while also providing a practical and affordable means of transport.



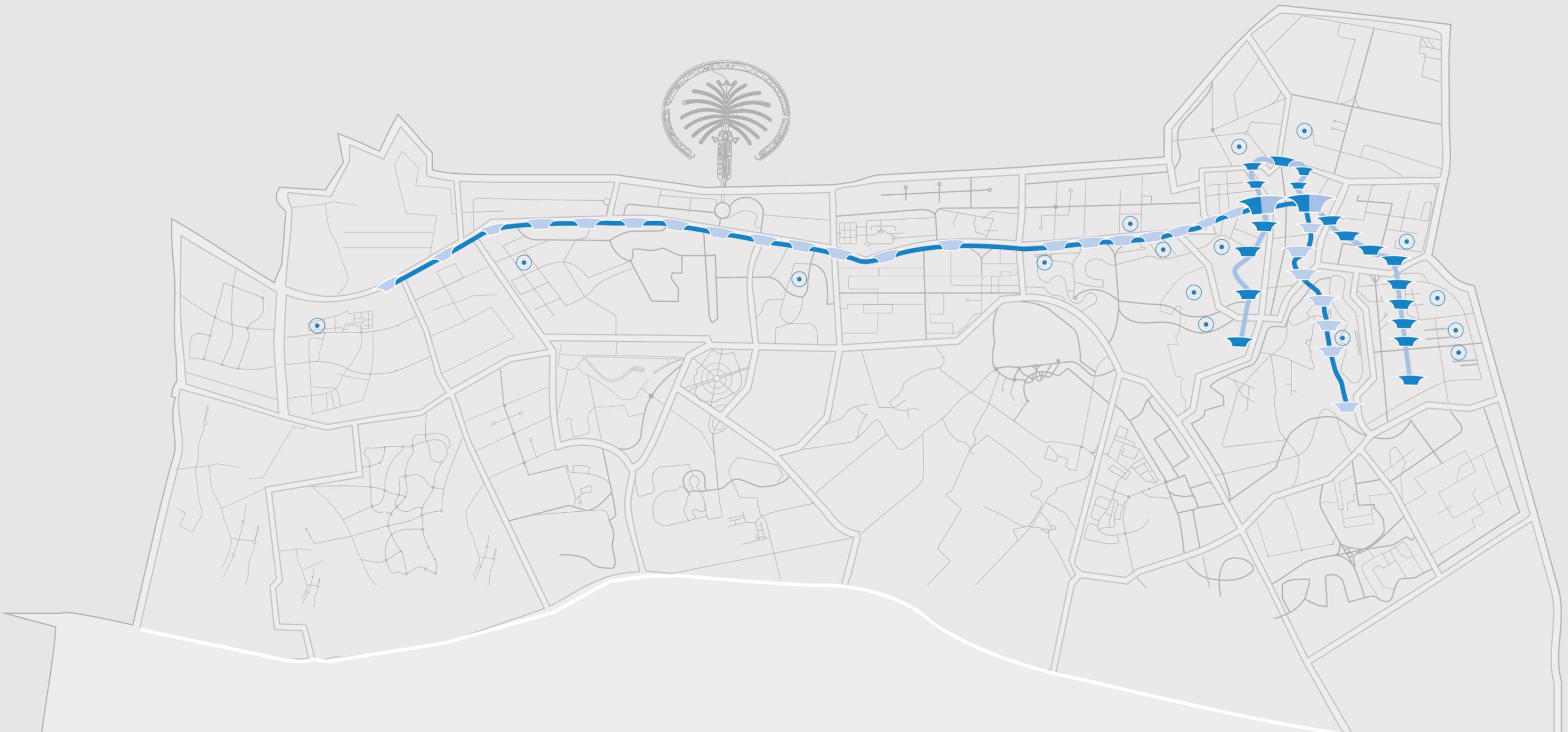
### Tabreed's Plants

Via 16 plants, Tabreed currently delivers a combined 61,570 RT to all the Dubai Metro stations.

 Tabreed Plant

 Dubai Metro Station (Green Line)

 Dubai Metro Station (Red Line)



# Board of Directors



**Waleed Al Mokarrab Al Muhairi**  
Chairman

Waleed Al Mokarrab Al Muhairi is Mubadala Development Company's Deputy Group CEO, where he oversees the company's investment portfolio and is responsible for its strategic, operational and business development activities. He is also Chief Executive Officer of Emerging Sectors, and is a member of Mubadala's Investment Committee. He is also Chairman of the Board of Directors of Cleveland Clinic Abu Dhabi and is a Director of du, Mubadala Petroleum and Masdar. Waleed holds a Masters from Harvard University, USA, and a Bachelors of Science in Foreign Service from Georgetown University, USA.



**Khaled Abdulla Al Qubaisi**  
Managing Director

Khaled Abdulla Al Qubaisi is the Chief Human Capital Officer for the Mubadala Group and is a member of Mubadala's Investment Committee. He also holds board memberships in Abu Dhabi Future Energy Company (Masdar), Mubadala Petroleum, Mubadala GE Capital, Finance House, Emirates Global Aluminium PJSC (EGA), and Abu Dhabi Motorsports Management. Khaled has a Bachelor of Arts in Finance and Operations Management from Boston University, and a Master of Science from George Washington University, USA, in addition to achieving membership of the Chartered Financial Analyst Institute (CFA) in 2003.



**Fahad Saeed Al Raqbani**  
Member

Fahad Saeed Al Raqbani is the Director-General of the Abu Dhabi Council for Economic Development (ADCED), a position he has held since September 2010. He serves on the boards of a number of companies such as General Holding Corporation (Senaat), Waha Capital, and the Emirates Steel Company. Fahad holds a master's degree in financial management and risk management from the Graduate School of Management in Lille, France, and a BA degree in International Economics from the American University in Paris.



**Ahmed Yahia Al Idrissi**  
Member

Ahmed Yahia Al Idrissi is the CEO of the Technology & Industry unit in Mubadala, with oversight of the semiconductors, metals, mining, and utilities portfolios. He is also a member of Mubadala's Investment Committee, and Chairman of GLOBALFOUNDRIES. Ahmed is a Board Member of Masdar, Emirates Global Aluminium (EGA), and Mubadala Petroleum Company LLC. He holds a Bachelor of Science in Industrial Engineering from Ecole Centrale Paris, France, and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA.



**Ibrahim Ahmed Al Ansaari**  
Member

Ibrahim Ahmed Al Ansaari was appointed Chief Executive Officer of Dolphin Energy Limited (UAE) in 2014. Prior to joining Dolphin Energy in October 2003 as Vice President – Projects, Ibrahim was General Manager of Union Water & Electricity Company, now incorporated within ADWEA. He also worked for Abu Dhabi National Oil Company (ADNOC) for 18 years. Ibrahim holds a Bachelor of Science in Electrical Engineering from Louisiana Technical University, USA.



**Ali Saeed Al Badi**  
Member

Ali Saeed Al Badi Al Dhaheri was the Managing Director and a Board Member of Abu Dhabi Ports Company (ADPC), the master developer and regulator of ports and industrial zones in Abu Dhabi. Ali has spent over 20 years with the Abu Dhabi National Oil Company (ADNOC) Group, and served as Chairman as well as Board Member of several ADNOC companies. From 1987 - 1998, Ali was the UAE National Representative in OPEC. He has a Bachelor Degree in Decision Science (Business) from Indiana University, USA.



**Khaled Saleh Al Rashedi**  
Member

Khaled Saleh Al Rashedi is the Head of Government Affairs at Mubadala Development Company. He has held several senior positions in key government projects in Abu Dhabi and is currently the Chairman of the Safwa Marine Company. Khaled is also a board member of Abu Dhabi Ship Building. He holds a Bachelor of Business Administration with a concentration in Finance and Marketing from the University of Colorado, USA.



**Mohammed Al Huraimel Al Shamsi**  
Member

Mohammed Al Huraimel Al Shamsi is Senior Vice President in Mubadala Development Company, where he is responsible for the asset management function of Mubadala Industry Unit's Utilities portfolio which includes power and district cooling utilities in the Middle East and North Africa. Mohammed is a member of the board of directors of Jiangsu Suyadi Tancai Company Limited based in Zhenjiang, China, and SMN Power Holding Company in Oman. Mohammed holds an MBA from the HEC School of Management – Paris and a Bachelor's Degree from the American University of Sharjah, UAE.



**Abdul Raouf Al Bitar**  
Member

Abdul Raouf Al Bitar is the Executive Director of Al Manhal & Nestlé Waters Group of Factories in Saudi Arabia, and sits on the board of a number of companies throughout the Middle East including: Middle East Specialized Cables Factory (MESCF), Springs Beverage Factory, Middle East Mold and Plastic Factory, Gulf Insulation Group, Shaker Group, and LG - Shaker Company. Abdul Raouf holds a Bachelor of Science in Civil Engineering from Syracuse University, USA.

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# Board of Directors' Report

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We are pleased to report on the financial results and operational performance of National Central Cooling Company PJSC (Tabreed) for the year ended 31 December 2014.

2014 was another strong year for Tabreed, underscored by the company's determination to continue to strengthen its core chilled water business and complete its transformation into a classic utility infrastructure company. Today, our business model is anchored in a robust core business, one with a stable (and recurring) revenue stream, and underpinned by long-term contracts (many for 20 years or more) with blue-chip government entities.

## Financial Highlights

In 2014, Tabreed delivered a strong performance. Some highlights of our financial results in the year include:

- Net profit attributable to the parent increased by 20 per cent to AED 325.7 million (2013: AED 272.4 million)
- Core chilled water profit from operations increased by 3 per cent to AED 359.3 million (2013: AED 347.8 million)
- Group revenue increased by 3 per cent to AED 1,130.6 million (2013: AED 1,100.2 million)
- EBITDA increased by 5 per cent to AED 534.9 million (2013: AED 510.1 million)
- Successfully completed the refinancing of AED 2.6 billion debt facilities. The conditions, margins, and tenor in the new agreement reflect Tabreed's established position as a leading utility infrastructure business.

## Operational Highlights

The company made large strides in strengthening its presence in several key markets, both in the UAE and across the region. Today, we are the only district cooling company that operates in several different countries in the GCC. Highlights of our operational performance in 2014 include:

- 118,273 RT of new customer connections added across the group, including:
  - 69,509 RT of new customer connections in the UAE
  - 31,014 RT of new customer connections in Saudi Arabia
  - 16,270 RT of new customer connections in Qatar
  - 1,480 RT of new customer connections in Bahrain
- Total group connected capacity reached 957,000 RT
- Total district cooling plants across the GCC reached 69

## Corporate Developments

Throughout 2014, we continued to grow our portfolio of customers and enter into long-term contracts with some of the UAE's leading private and government organizations.

We took a major step forward in Abu Dhabi with the acquisition, in a consortium with Mubadala Infrastructure Partners (MIP), an infrastructure focused fund investing in the Middle East, North Africa and Turkey, with institutional investors from the GCC region and Asia, of the existing district cooling plant on Al Maryah Island, in a deal valued at approximately AED 1.05 billion. The 30-year concession represents an installed capacity of up to 80,000 refrigerated tons for Abu Dhabi's new Central Business District and luxury lifestyle destination on Al Maryah Island.

We also strengthened our footprint in Dubai with the signing of a long-term concession agreement with Meraas Leisure and Entertainment to provide 45,600 tons of cooling to the new Dubai Parks and Resorts development in Jebel Ali. This unique theme park, composed of several phases with the first phase expected to be completed in 2016, is set to become a major tourist attraction and will position the UAE as a leading tourism hub.

Just as importantly, we renewed our master services agreement (MSA) with the United Arab Emirates Armed Forces (UAEAF), who have been a strategic partner of Tabreed since our company's inception in 1998. The new contract is valued at AED 6 billion.

At our Annual General Meeting at the beginning of 2014, our shareholders voted to re-elect the Board of Directors to represent the company for the next three years, in addition to electing two new members: Fahad Saeed Mohamed Al Raqbani and Mohammed Al Huraimel Al Shamsi; thus returning Tabreed's Board of Directors to its original composition of nine members.

As a UAE-based company, Tabreed takes seriously its role in the community, and in 2014, the company issued its inaugural Corporate Social Responsibility (CSR) report. The report outlines our approach to CSR and documents our initiatives aimed at developing our people and ensuring their health and safety, engaging with the community and in particular UAE nationals, as well as safeguarding the environment. It's an important milestone for us and highlights how we aim to serve the public good and leave a lasting imprint on society.

## Looking Ahead

In 2014, we achieved several important milestones, and continued to strengthen our position in several of our biggest markets, ranging from Dubai and Abu Dhabi, to Qatar and Saudi Arabia. Going forward, our focus will continue to be on maximizing returns from our existing assets, and connecting new and existing customers to our networks.

On a macro-level, we are confident that the region will continue to grow as governments in the GCC seek to diversify their economies and develop their infrastructure. In this region of the world, cooling is not a luxury but a necessary component of economic growth. All new developments will require cooling services, and Tabreed, with its vast experience working on many of the region's most critical and unique projects, is well positioned to capitalize on this demand.

# The Pearl

## Doha, Qatar

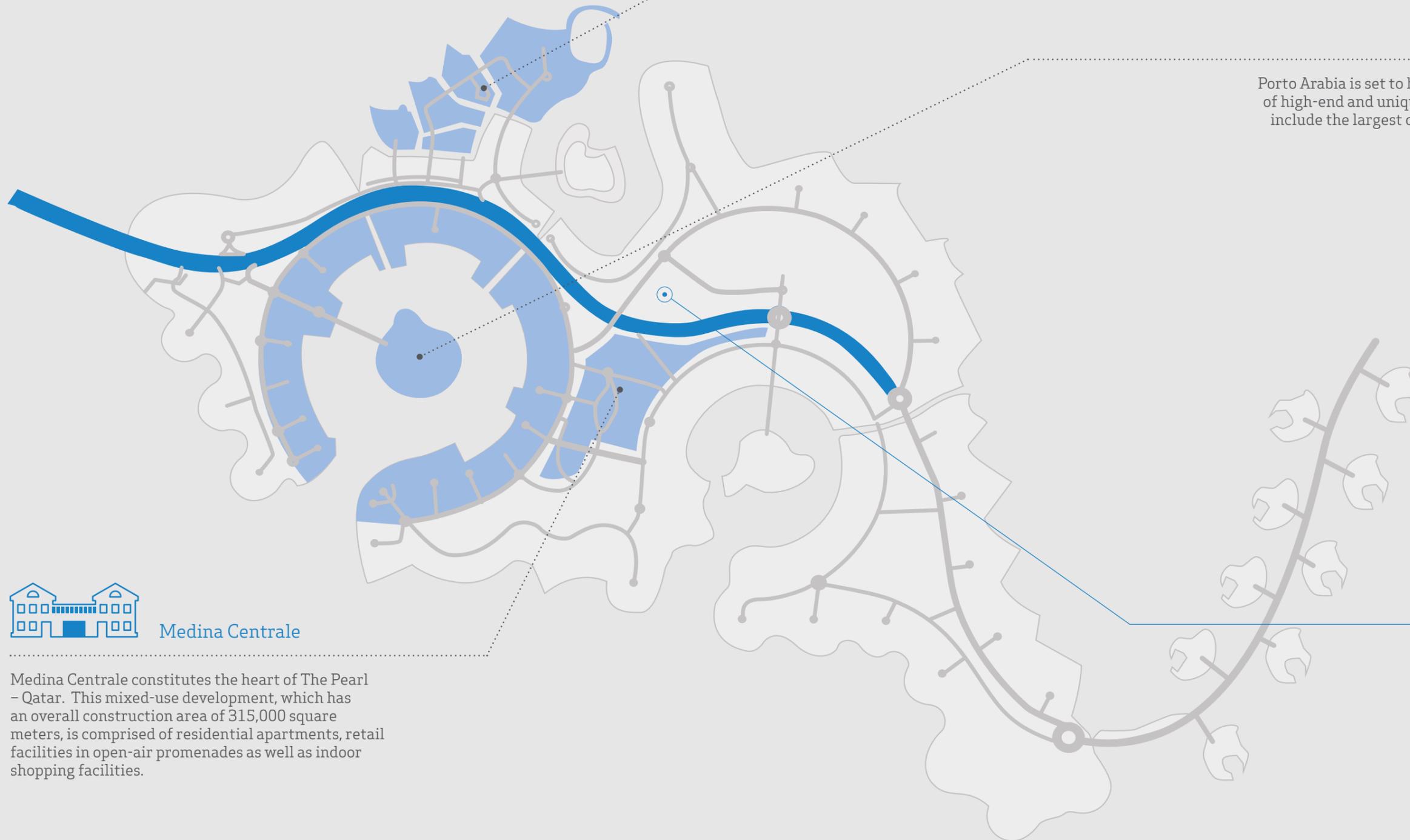
Our Qatari affiliate, Qatar Cool, is the exclusive provider of district cooling to the man-made Pearl Island, which occupies a prime location off Doha's coast and boasts an assortment of residential accommodations and retail outlets. Qatar Cool's district cooling plant on the Island is the world's largest, with a capacity to supply 130,000 RT to all the projects upon completion.



With an extensive canal system, pedestrian-friendly squares and plazas, and beachfront townhouses, this "Venice-like community" will encompass 977 residential apartments in 31 towers, 188 townhouses, 320,000 square feet of retail space, and 15 bridges, including a replica of Venice's Rialto Bridge.



Porto Arabia is set to have a total of 31 towers, and a number of high-end and unique retail and dining outlets. It will also include the largest of The Pearl's three marinas, which can support 785 vessels.



Medina Centrale

Medina Centrale constitutes the heart of The Pearl - Qatar. This mixed-use development, which has an overall construction area of 315,000 square meters, is comprised of residential apartments, retail facilities in open-air promenades as well as indoor shopping facilities.



Tabreed's Plant

Via this plant, Tabreed's affiliate, Qatar Cool, currently delivers a total of 88,200 RT to all the existing developments on The Pearl.

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# Corporate Governance Report

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## Corporate Governance Practices

Tabreed's corporate governance system is well developed, adopts local and international best practice and meets all relevant requirements of UAE legislation on corporate governance, including the Commercial Companies Law and the Ministerial Resolution No. (518) of 2009 (Concerning Governance Rules and Corporate Discipline Standards) ("Ministerial Resolution 518" or "MR 518"). Ministerial Resolution 518 applies to Tabreed's listing on the Dubai Financial Market ("DFM"). The Securities and Commodities Authority ("SCA") supervises, controls and verifies Tabreed's compliance with Ministerial Resolution 518.

The following report is governed by Article 14 of the Ministerial Resolution 518 and its format is prescribed by SCA. The report outlines Tabreed's overall governance structure and Tabreed's compliance with Ministerial Resolution 518 in the period of 1 January 2014 to 31 December 2014.

The following sections summarize how the company has applied the principles of Ministerial Resolution No. 518 and its compliance with these principles.

### Board of Directors (Art. 3, MR 518)

The appointment, roles and responsibilities of the Board of Directors of Tabreed (the "Board" or "Board of Directors") are outlined in Tabreed's Articles of Association ("AoA").

At the Annual General Assembly of Tabreed held on 24 March 2014, the shareholders elected a board consisting of 9 members in accordance with the requirements of the AoA. Throughout the year, the membership balance criteria set down by Ministerial Resolution 518 in relation to executive, non-executive and independent members was maintained by Tabreed together with an appropriate level of skills, experience and capabilities across the membership.

### Chairman of the Board (Art. 4, MR 518)

In 2014, Waleed Al Mokarrab Al Muhairi presided as the Chairman of the Board. The Chairman of Tabreed's Board is a non-executive director and independent with extensive and prominent experience in international and regional corporations.

Throughout the year the Chairman ensured that the Board participated effectively at Board meetings and that each member of the Board acted in the best interests of Tabreed and its shareholders. The Chairman develops the structure of, and agenda for, meetings of the Board, overseeing communication between Board members and shareholders and encouraging constructive relations between the Board members.

### Members of the Board (Art. 5, MR 518)

The members of the Board have a diverse set of skills and experience. Each member's duty is to act in the best interests of Tabreed and its shareholders. Each member of the Board ensures that Tabreed's management maintains systems and processes to ensure adherence to laws, regulations and Tabreed's operational requirements.

The Board ensures that Tabreed's management provides them with sufficient information, in a timely manner, to make informed decisions that affect the direction of the company. The members participate in Board meetings, giving independent opinions on strategic issues, policy, accounting, resources and principles of required behaviour. The Board tracks the company's performance against strategic objectives.

Each year, all Board members disclose to Tabreed an assessment of their independence, confirmation of confidentiality, details of any share trading and details of their significant positions in public companies or other institutions.

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# Corporate Governance

## Report (continued)

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### Remuneration of Board Members (Art. 7, MR 518)

The Board members are entitled to be remunerated by an attendance fee for each meeting as allowed under Article 34 of the AoA. Article 58 of the AoA also allows the distribution of a share of profits as remuneration for Board members subject to approval by the shareholders at the company's Annual General Assembly ("AGA").

### Board Committees (Art. 6, MR 518)

The Tabreed Board maintains four Board Committees:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Finance Committee; and
4. Projects Committee.

The Audit Committee (discussed in detail below) and the Nomination and Remuneration Committee are mandated by U.A.E. law.

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

The Projects Committee investigates the viability of each potential new project and ensures that it is subjected to the highest levels of scrutiny before presentation to the Board for approval.

### Audit Committee (Art. 9, MR 518)

The Board maintains an Audit Committee that monitors financial statements, renews and recommends changes to Tabreed's financial and control systems, appoints and maintains an appropriate relationship with the company's external auditors. The Audit Committee also oversees the Internal Audit and Risk function and is responsible for approving recommendations for internal control improvements.

### Internal Control (Art. 8, MR 518)

Tabreed's Internal Control function is maintained by the Board and provides independent, objective and authoritative advice as well as assurance over the Internal Control environment to the Board, Audit Committee and Management in order to assist them in discharging their functions and duties conferred and imposed on them.

The Board ensures that the internal controls are effective by reviewing the work of the 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 ensures that an internal control review is conducted by the Internal Control function each year.

### External Auditor (Art. 10, MR 518)

On the recommendation of the Audit Committee, the Board appointed Ernst & Young as Tabreed's external auditor at the 2014 AGA. 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.

### Delegation to Management (Art.11, MR 518)

The Board of Tabreed provides guidance and direction to Tabreed's management towards achieving the strategic objectives of Tabreed. The day to day activities of Tabreed are delegated to management.

The Board provides such guidance through the following mandates which are approved and regularly reviewed by the Board, which together comprise the delegation of authority to management:

1. The five year strategic plan;
2. Tabreed's policies;
3. The annual budget;
4. Key Performance Indicators;
5. The delegation of authority documents;
6. Regular reporting against performance targets; and
7. A written articulation of the tasks required of management as detailed in the Corporate Governance Procedures Manual.

### Shareholders' Rights (Art. 12, MR 518)

The Board is committed to maintaining the highest standards in relation to recognition of shareholders' rights. This commitment is outlined in the Corporate Governance Procedures Manual. To that end, Tabreed maintains an appropriately resourced shareholder communications function and has also engaged the National Bank of Abu Dhabi (NBAD) to assist with shareholder engagement.

The purpose of both the shareholder communications function and NBAD's role is to ensure that shareholders receive all required financial reports and relevant information and that shareholders are notified of and attend AGA as well as any ordinary (OGA) and extraordinary (EGA) meetings, and that dividend payments, when approved, are provided to each shareholder on a timely basis.

The AoA sets out the shareholders' rights to information, voting, participation at meetings and information on candidates for Board positions.

### Code of Conduct (Art. 13, MR 518)

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

# Kingdom of Saudi Arabia



Our Saudi affiliate, Saudi Tabreed, is the largest district cooling provider in the Kingdom of Saudi Arabia and delivers its services to the nation's most high profile and important infrastructure projects.

The King Abdullah Financial District is set to become a leading financial center in the Middle East, providing an attractive working environment for the growing workforce in the financial sector conceived as part of the overall economic diversification programme in Saudi Arabia. Saudi Tabreed currently provides O&M services to the King Abdullah Financial District.

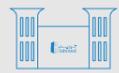


## Jabal Omar Development Project

The Jabal Omar Development Project is a major commercial and residential project being developed around the Holy City of Mecca. Saudi Tabreed started supplying district cooling services to Jabal Omar in 2014.

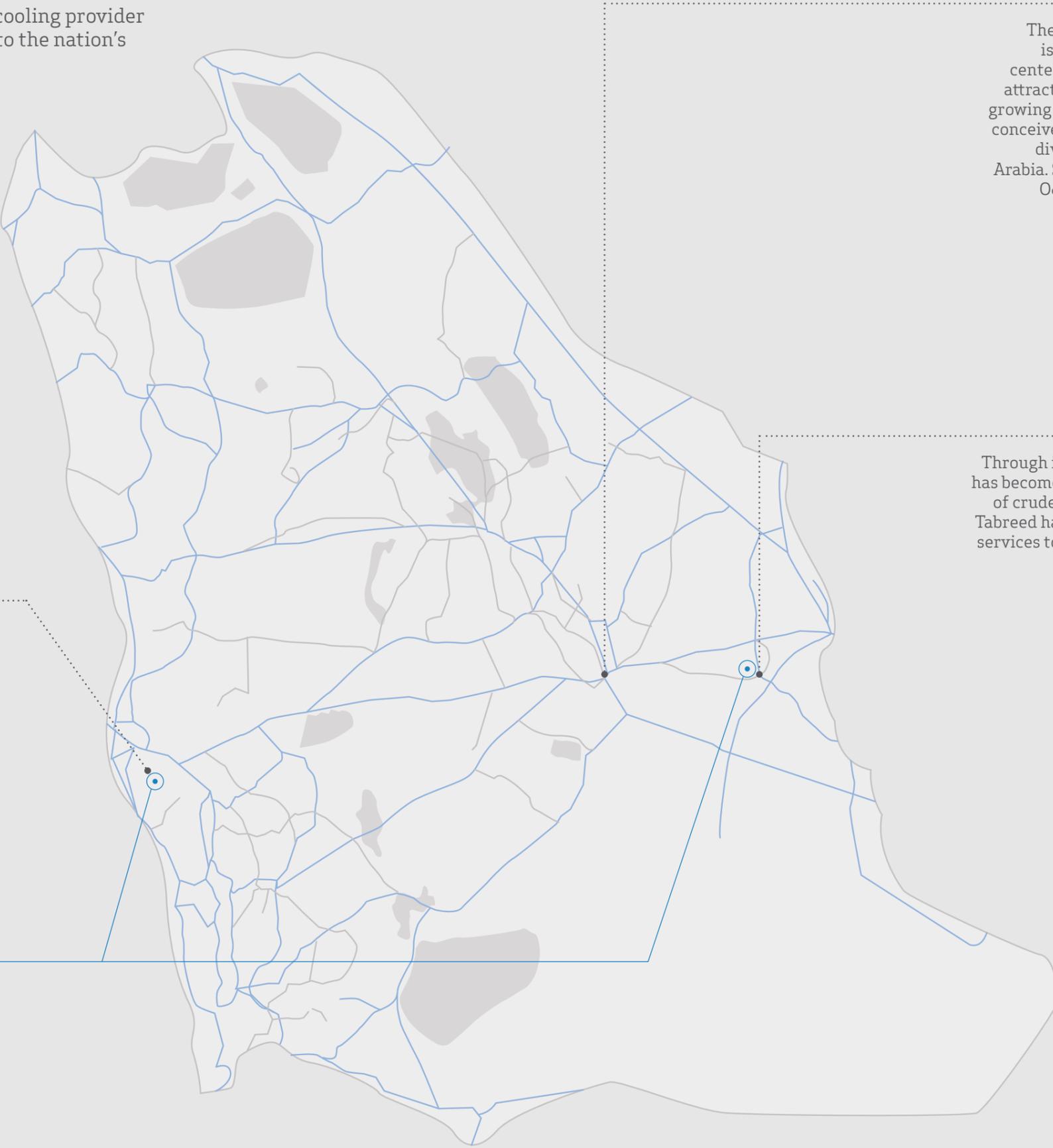


Through its 80-year history, Saudi Aramco has become one of the world's top exporters of crude oil and natural gas liquids. Saudi Tabreed has been supplying district cooling services to Saudi Aramco's various projects since 2012.



## Tabreed's Plants

Via 2 plants, Tabreed's affiliate, Saudi Tabreed, currently delivers a total of 58,000 RT to the various projects in Saudi Arabia.



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# Independent Auditors' Report

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## 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 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the consolidated financial statements

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

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate 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 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards

## Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We 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.

Signed by  
Andre Kasparian  
Partner  
Ernst & Young  
Registration No. 365

21 January 2015  
Abu Dhabi

**CONSOLIDATED STATEMENT OF INCOME**  
 For the year ended 31 December 2014

	Notes	2014 AED '000	2013 AED '000
Revenue	3 & 4	1,130,612	1,100,188
Operating costs	6.1 & 4	(597,020)	(592,127)
<b>GROSS PROFIT</b>		<b>533,592</b>	508,061
Administrative and other expenses	6.2	(159,534)	(150,366)
<b>PROFIT FROM OPERATIONS</b>		<b>374,058</b>	357,695
Finance costs	5	(134,715)	(148,198)
Finance income		4,625	4,573
Fair value adjustment on asset held for sale	34	-	(19,080)
Other gains and losses	11,17&30	(1,152)	3,223
Share of results of associates and joint ventures	12 & 13	85,366	66,391
<b>PROFIT FOR THE YEAR</b>		<b>328,182</b>	264,604
Attributable to:			
Ordinary equity holders of the parent		325,654	272,351
Non-controlling interests		2,528	(7,747)
		<b>328,182</b>	264,604
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	0.09	0.08

The attached notes 1 to 36 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 For the year ended 31 December 2014

	Notes	2014 AED '000	2013 AED '000
<b>PROFIT FOR THE YEAR</b>		<b>328,182</b>	264,604
<b>Other comprehensive income</b>			
Board remuneration during the year	8	(4,500)	(7,500)
<b>Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods</b>		<b>(4,500)</b>	(7,500)
Net movement in fair value of derivatives in cash flow hedges		8,844	(8,164)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	12 & 13	(13,193)	6,628
Exchange differences arising on translation of overseas operations		(71)	(63)
<b>Net other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods</b>		<b>(4,420)</b>	(1,599)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>319,262</b>	255,505
Attributable to:			
Ordinary equity holders of the parent		316,734	263,252
Non-controlling interests		2,528	(7,747)
		<b>319,262</b>	255,505

The attached notes 1 to 36 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		2014 AED '000	2013 AED '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capital work in progress	10	157,117	117,711
Property, plant and equipment	11	3,540,000	4,778,566
Intangible assets	14	37,596	37,596
Investments in associates and joint ventures	12&13	578,663	452,248
Loan to a joint venture	16&31	72,276	72,276
Finance lease receivables	17	2,761,334	1,618,906
		<u>7,146,986</u>	<u>7,077,303</u>
<b>Current assets</b>			
Inventories		41,578	37,026
Accounts receivable and prepayments	18	466,842	458,524
Finance lease receivables	17	220,941	117,787
Contract work in progress	19	40,484	43,208
Cash and term deposits	20	417,932	670,382
		<u>1,187,777</u>	<u>1,326,927</u>
Asset held for sale	34	-	21,055
		<u>1,187,777</u>	<u>1,347,982</u>
<b>TOTAL ASSETS</b>		<u><b>8,334,763</b></u>	<u><b>8,425,285</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	21	738,490	659,063
Treasury shares	22	(2,016)	(2,016)
Statutory reserve	23	162,822	130,256
Retained earnings		590,665	335,030
Foreign currency translation reserve		(2,558)	(2,487)
Cumulative changes in fair value of derivatives in cash flow hedges		(54,385)	(50,036)
Mandatory convertible bond – equity component	27	2,450,238	2,487,017
Other reserve	23	977,340	1,019,988
<b>Equity attributable to the equity holders of the parent</b>		<u><b>4,860,596</b></u>	<u><b>4,576,815</b></u>
Non – controlling interests		69,997	74,258
<b>Total equity</b>		<u><b>4,930,593</b></u>	<u><b>4,651,073</b></u>
<b>Non-current liabilities</b>			
Accounts payable, accruals and provisions	30	125,692	23,378
Interest bearing loans and borrowings	25	2,020,872	1,857,114
Islamic financing arrangements	26	-	484,653
Obligations under finance lease	28	16,082	21,346
Mandatory convertible bond– liability component	27	359,759	453,045
Employees' end of service benefits	29	21,528	19,851
		<u>2,543,933</u>	<u>2,859,387</u>
<b>Current liabilities</b>			
Accounts payable, accruals and provisions	30	521,381	564,667
Advances from a related party	24	73,869	73,869
Interest bearing loans and borrowings	25	152,734	135,872
Islamic financing arrangements	26	-	22,894
Mandatory convertible bond– liability component	27	104,889	110,159
Obligations under finance lease	28	7,364	7,364
		<u>860,237</u>	<u>914,825</u>
<b>Total liabilities</b>		<u><b>3,404,170</b></u>	<u><b>3,774,212</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,334,763</b></u>	<u><b>8,425,285</b></u>

Waleed Al Mokarrab Al Muhairi  
CHAIRMAN

The attached notes 1 to 36 form part of these consolidated financial statements.

Jasim H. Thabet  
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 36 form part of these consolidated financial statements.

	Issued capital	Treasury shares	Statutory reserve	Retained earnings	Foreign currency translation reserve	Cumulative changes in fair value of derivatives	Mandatory convertible bond- equity component	Other reserve	Total	Non- controlling interests	Total equity
Balance at 1 January 2013	659,063	-	-	130,209	-	-	-	-	-	-	4,426,591
Profit (loss) for the year	-	-	-	272,351	-	-	-	-	272,351	-	264,604
Other comprehensive expense for the year	-	-	-	(7,500)	-	-	-	-	(9,099)	-	(9,099)
Total comprehensive income (expense) for the year	-	-	-	264,851	-	-	-	-	263,252	-	255,505
Dividends paid to ordinary shareholders	-	-	-	(32,795)	-	-	-	-	(32,795)	-	(32,795)
Transfer to statutory reserve	-	-	27,235	(27,235)	-	-	-	-	-	-	-
Transfer from other reserve to retained earnings (note 8)	-	-	-	133,879	-	-	-	(133,879)	-	-	-
Dividend paid to non-controlling interests in lieu of dividend payable to MCB 1A, MCB1B and MCB 1C (note 8&27)	-	-	-	-	-	-	133,879	-	-	-	(4,374)
Additional capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2013	659,063	-	130,256	335,030	(2,487)	-	2,487,017	1,019,988	4,576,815	6,146	4,651,073
Balance at 1 January 2014	659,063	-	130,256	335,030	(2,487)	-	2,487,017	1,019,988	4,576,815	74,258	4,651,073
Profit for the year	-	-	-	325,654	-	-	-	-	325,654	2,528	328,182
Other comprehensive (expense) income for the year	-	-	-	(4,500)	-	-	-	-	(8,920)	-	(8,920)
Total comprehensive income (expense) for the year	-	-	-	321,154	-	-	-	-	316,734	2,528	319,262
Dividends paid to ordinary shareholders (note 8)	-	-	-	(32,953)	-	-	-	-	(32,953)	-	(32,953)
On disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(593)
Transfer to statutory reserve	-	-	32,566	(32,566)	-	-	-	-	-	-	-
Transfer from other reserve to retained earnings (note 23 & 27)	-	-	-	137,851	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Issuance of mandatory convertible bond 4 in lieu of cash dividend to existing MCB (note 8 & 27)	-	-	-	-	-	-	97,100	40,751	-	-	(6,196)
Conversion of mandatory convertible bond 4 into ordinary shares (note 21)	-	-	-	(137,851)	-	-	-	-	-	-	-
Balance at 31 December 2014	738,490	(2,016)	162,822	590,665	(2,558)	(54,385)	2,450,238	977,340	4,860,596	69,997	4,930,593

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 AED '000	2013 AED '000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		328,182	264,604
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	126,014	148,688
Finance income relating to finance lease receivable	3&17	(171,618)	(121,720)
Share of results of associates and joint ventures	12&13	(85,366)	(64,762)
Net movement in employees' end of service benefits	29	2,248	2,302
Other income and charges		1,152	-
Fair value adjustment on asset held for sale	34	-	19,080
Interest income		(4,625)	(4,573)
Finance costs	5	134,715	148,198
Working capital adjustments:			
Inventories		(4,552)	(3,150)
Accounts receivable and prepayments		(10,009)	99,944
Contract work in progress		2,724	9,068
Accounts payable, accruals and provisions		28,545	(17,170)
Lease rentals received	17	206,505	125,395
Board of Directors' remuneration paid	8	(4,500)	(7,500)
Net cash flows from operating activities		549,415	598,404
<b>INVESTING ACTIVITIES</b>			
Term deposits with original maturity of more than 3 months	20	(252,674)	-
Purchase of property, plant and equipment	11	(55,473)	(3,170)
Proceeds from sale of an associate and a subsidiary		1,749	-
Investments in associates and a joint venture	12&13	(91,671)	-
Dividends from associates	12	33,336	22,614
Payments for capital work in progress		(85,564)	(91,267)
Interest received		4,625	4,371
Net cash flows used in investing activities		(445,672)	(67,452)
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received	25	14,997	6,963
Interest bearing loans and borrowings repaid		(151,116)	(139,181)
Islamic financing arrangement repaid	26	(192,345)	(23,590)
Cash coupon paid on mandatory convertible bonds	27	(120,588)	(120,588)
Payment for obligations under finance lease		(5,264)	(7,364)
Interest paid		(102,228)	(106,204)
Capital contribution by non-controlling interests		-	6,146
Transaction costs on borrowings		(13,174)	-
Dividends paid to ordinary shareholders		(32,953)	(32,795)
Dividends paid to non-controlling interests		(6,196)	(4,374)
Net cash flows used in financing activities		(608,867)	(420,987)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(505,124)</b>	<b>109,965</b>
Cash and cash equivalents at 1 January		670,382	560,417
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	20	<b>165,258</b>	<b>670,382</b>

The attached notes 1 to 36 form part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

### 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 Company is a subsidiary of the Mubadala Development Company PJSC ("MDC" or the "Parent Company"). The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 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 21 January 2015.

### 2.1 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 asset held for sale. The consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED") which is the presentation currency of the Group. 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 ("IFRS") as issued by International Accounting Standards Board ("IASB") and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Tabreed and its subsidiaries (the "Group") as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

**2.2 BASIS OF CONSOLIDATION** continued

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The Group's accounting policies are the same as those applied in the consolidated financial statements as at and for the year ended 31 December 2013, except for the following amendments to IFRS effective as of 1 January 2014 which do not have any significant impact on the consolidated financial statements:

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

**Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

**Novation of Derivative and Continuation of Hedge Accounting – Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

**IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it is not subject to levies.

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** continued**Annual Improvements 2010-2012 Cycle**

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

**Annual Improvement 2011-2013 Cycle**

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

**2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. 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 periods.

**Judgments**

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

*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 whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and 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.

*Impairment of non-financial assets – Indicators of impairment*

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units, 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. Refer to note 11 for details on judgements and estimates applied by the management.

**2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued**Judgments** continued*Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimate of the outcome of future events. The Group receives claims from its customers and suppliers as part of its ongoing business and records a provision based on assessment of reliability and probability of the outflow of economic resources.

*Asset retirement obligation*

The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from the respective customer or third party. The cost estimates relating to asset retirement obligations can vary in response to many factors including changes to relevant legal requirements, the emergence of new techniques or experience at sites. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

*Provisions relating to contracts*

The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The Group estimates any such provision based on the facts and circumstances relevant to the contract.

*Determination of cash-generating unit (CGU)*

A CGU is 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. Determining CGU require management to analyse the contractual terms and physical features of assets such as inter-connection and sharing of chilled water generation capabilities and requires significant judgement in determining at which level independent cash inflows are generated.

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

*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.

**2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS** continued**Estimates and assumptions** continued*Fair value of financial instruments*

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

*Impairment of non-financial assets*

Impairment testing requires an estimation of the value in use of the cash generating units. The value in use requires the Company to estimate the amount and timing of future cash flows, terminal value of the assets, cost to complete the construction of the 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:

	<b>2014</b>	2013
	<b>AED '000</b>	AED '000
Capital work in progress	<b>157,117</b>	117,711
Property, plant and equipment	<b>3,540,000</b>	4,778,566
Intangible assets	<b>37,596</b>	37,596

*Impairment of accounts receivable, amounts due from related parties, finance lease receivable and loan to a joint venture*

An estimate of the collectible amount of accounts receivable, amounts due from related parties and finance lease receivables 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 reporting date, gross trade accounts receivable were AED 264.9 million (2013: AED 242.2 million) and impairment loss recognised in the consolidated income statement for the year ended 31 December 2014 was AED 1.7 million (2013: AED 0.9 million).

*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 41.6 million (2013: AED 37 million). No provision has been made for obsolete inventories during the year ended 31 December 2014 (2013: AED 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.

**2.5 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, usually on delivery of the goods, and the amount of revenue can be measured reliably. For supply 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 recognised.

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. Finance income on finance lease receivables is included in revenue due to its operating nature.

Interest income including interest on finance lease receivable 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.

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.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year.

Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

**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. The 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 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 and distribution network. 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 it is 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 and suspended projects or not attributable to qualifying assets are expensed in the period in which they are incurred.

For partially operational plants and distribution assets, the Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**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	over 30 years
Buildings	over 50 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

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 overhauls 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.

**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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Leases** continued*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 statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

*Group as lessor – Operating leases*

Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

**Investments in associates and joint ventures**

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of income reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Investments in associates and joint ventures** continued

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the consolidated statement of income.

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

**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 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.

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

Gains or losses arising from 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.

**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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**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 (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU 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, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the plants.

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 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Investment and other financial assets**

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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.

*Subsequent measurement*

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss; The Group did not have any financial assets at fair value through profit and loss during the years ended 31 December 2014 and 2013.
- Loans and receivables; This category is the most relevant to the Group. 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 (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation relating to finance lease receivable is included under revenue. The losses arising from impairment are recognised in the consolidated statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables.
- Held-to-maturity investments; The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.
- Available-for-sale (AFS) investments; The Group did not have any available-for-sale investments during the years ended 31 December 2014 and 2013.

*Derecognition of 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Investment and other financial assets** continued*Derecognition of financial assets* continued

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.

**Impairment and non-collectability 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.

*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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Impairment and non-collectability of financial assets** continued*Financial assets carried at amortised cost* continued

The interest income is recorded as part of finance income and revenue in the consolidated income statement for loan and receivables and finance lease receivables respectively. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the 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.

**Assets classified as 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 its continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**Financial liabilities***Initial recognition and measurement*

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

All financial liabilities are recognised initially at fair value plus, in the case of mandatory convertible bonds, term loans and Islamic financing arrangements, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, mandatory convertible bonds, term loans and Islamic financing arrangements, and derivative financial instruments.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Financial liabilities** continued*Subsequent measurement*

The measurement of financial liabilities depends on their classification and is described below:

*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.

*Interest bearing loans & borrowings and Islamic financing arrangements*

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

*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 or retained earnings.

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

*Derecognition*

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

When equity instruments are issued to extinguish all or part of a financial liability (referred to as debt to equity swaps), the equity instruments are recognised initially at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured. The difference between the fair value of the equity instruments issued and the carrying amount of the extinguished financial liability is recognised in the consolidated income statement. In the case of debt to equity swaps with a direct or indirect shareholders, the Company records the equity instruments issued at the carrying amount of the financial liability extinguished so that no profit or loss is recognised in the income statement.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Offsetting of financial instruments**

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.

**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.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Management reviews its contracts annually.

**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.

**Derivative financial instruments and hedging**

The Group uses derivative financial instruments such as interest rate swaps to hedge risks associated with interest rate. 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 a firm commitment; 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.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Derivative financial instruments and hedging** continued

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.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

*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 interest expense is recognised or when a forecast sale occurs.

On restructuring of the hedged item and revocation of hedging relationship, for an effective cash flow hedge, fair value of the hedging instrument as of the date of restructuring is recognised to income statement over the shorter of remaining life of the original hedged item or hedging instrument.

*Cash flow hedges* continued

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 hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

*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.

**Financial instruments**

Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise loan to a joint venture, trade and other receivables, finance lease receivables, cash and short term deposits. Financial liabilities comprise payables, loans, liability component of mandatory convertible bond and finance lease liabilities.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Fair value measurement**

The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 36.

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

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

The principal or the most advantageous market must be accessible by the Group.

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

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

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

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

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

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

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** continued**Fair value measurement** continued

The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as asset held for sale. External valuers are involved for valuation of significant assets, such as land. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 36.

**Current versus non-current classification**

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

**Cash dividend and non-cash distribution to equity holders of the parent**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

The standards and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements

**Improvements to IFRSs**

The IASB issued improvements to IFRSs which are effective from 1 July 2014 and are not expected to have a material impact on the Group.

- IFRS 2 Share based payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The Group intends to adopt these standards and amendments, if applicable, when they become effective.

**3 REVENUE**

	<b>2014</b>	<b>2013</b>
	<b>AED '000</b>	<b>AED '000</b>
Supply of chilled water and operating revenue	<b>732,982</b>	691,167
Finance lease income (note 17)	<b>171,618</b>	121,720
Operating lease income	<b>129,979</b>	214,502
Value chain business	<b>96,033</b>	72,799
	<b><u>1,130,612</u></b>	<u>1,100,188</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**4 OPERATING SEGMENTS**

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are 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 (note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

Segment performance is evaluated based on operating profit or loss and is measured consistently with the Group's operating profit or loss in the consolidated financial statements. However, Group financing (finance costs and interest income) are managed on a group basis and are not allocated to operating segments.

	<b>2014</b>			<b>2013</b>				
	<i>Chilled water</i> AED'000	<i>Value chain business</i> AED'000	<i>Eliminations</i> AED'000	<i>Total</i> AED'000	<i>Chilled water</i> AED'000	<i>Value chain business</i> AED'000	<i>Eliminations</i> AED'000	<i>Total</i> AED'000
<b>Revenue</b>								
External Revenue	<b>1,034,578</b>	<b>96,034</b>	-	<b>1,130,612</b>	1,027,389	72,799	-	1,100,188
Inter-segment revenue	-	<b>15,317</b>	<b>(15,317)</b>	-	-	13,754	(13,754)	-
<b>Total revenue</b>	<b>1,034,578</b>	<b>111,351</b>	<b>(15,317)</b>	<b>1,130,612</b>	1,027,389	86,553	(13,754)	1,100,188
Operating costs	<b>(534,747)</b>	<b>(79,076)</b>	<b>16,803</b>	<b>(597,020)</b>	(549,170)	(59,066)	16,109	(592,127)
<b>Gross profit</b>	<b>499,831</b>	<b>32,275</b>	<b>1,486</b>	<b>533,592</b>	478,219	27,487	2,355	508,061
<b>Profit from operations</b>	<b>359,260</b>	<b>12,950</b>	<b>1,848</b>	<b>374,058</b>	347,809	11,423	(1,537)	357,695
Finance costs	-	-	-	<b>(134,715)</b>	-	-	-	(148,198)
Finance income	-	-	-	<b>4,625</b>	-	-	-	4,573
Fair value adjustment	-	-	-	-	-	-	-	(19,080)
Other income (losses)	-	-	-	<b>(1,152)</b>	-	-	-	3,223
Share of results of associate and joint venture	<b>85,366</b>	-	-	<b>85,366</b>	66,391	-	-	66,391
				<b><u>328,182</u></b>				<u>264,604</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

## 4 OPERATING SEGMENTS continued

Inter-segment revenues are eliminated on consolidation.

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

	2014			2013		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Depreciation	<u>120,435</u>	<u>5,579</u>	<u>126,014</u>	<u>142,896</u>	<u>5,792</u>	<u>148,688</u>

Segment assets and liabilities are as follows:

	2014				2013			
	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000
Segment assets	7,249,003	203,805	-	7,452,808	7,519,687	206,895	-	7,726,582
Asset held for sale	-	-	-	-	21,055	-	-	21,055
Investments in associates	529,430	-	-	529,430	450,582	-	-	450,582
Investments in joint ventures	49,233	-	-	49,233	1,666	-	-	1,666
Unallocated assets	-	-	303,292	303,292	-	-	225,400	225,400
<b>Total assets</b>	<u>7,827,666</u>	<u>203,805</u>	<u>303,292</u>	<u>8,334,763</u>	<u>7,992,990</u>	<u>206,895</u>	<u>225,400</u>	<u>8,425,285</u>
Segment liabilities	679,845	62,625	-	742,470	619,440	62,325	-	681,765
Unallocated liabilities	-	-	2,661,700	2,661,700	-	-	3,092,447	3,092,447
<b>Total Liabilities</b>	<u>679,845</u>	<u>62,625</u>	<u>2,661,700</u>	<u>3,404,170</u>	<u>619,440</u>	<u>62,325</u>	<u>3,092,447</u>	<u>3,774,212</u>

Unallocated assets represent bank deposits of AED 303,292 thousand (2013: AED 225,400 thousand) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 2,173,606 thousand (2013: AED 1,992,986 thousand), Islamic financing arrangements of AED nil (2013: AED 507,547 thousand), obligations under finance lease of AED 23,446 thousand (2013: AED 28,710 thousand) and mandatory convertible bond – liability component of AED 464,648 thousand (2013: AED 563,204 thousand).

	2014			2013		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Capital expenditure:						
Property, plant and equipment	<u>52,432</u>	<u>3,041</u>	<u>55,473</u>	<u>2,660</u>	<u>510</u>	<u>3,170</u>
Capital work in progress	<u>67,908</u>	-	<u>67,908</u>	<u>49,053</u>	-	<u>49,053</u>
Investment in an associate and a joint venture	<u>91,671</u>	-	<u>91,671</u>	-	-	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

## 4 OPERATING SEGMENTS continued

## Geographic information

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

	Revenue		Non-current assets	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
United Arab Emirates	1,094,871	1,064,192	6,043,124	6,105,076
Others	<u>35,741</u>	<u>35,996</u>	<u>452,923</u>	<u>447,703</u>
	<u>1,130,612</u>	<u>1,100,188</u>	<u>6,496,047</u>	<u>6,552,779</u>

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

## Revenue from external customers

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

	2014 AED'000	2013 AED'000
	<b>Chilled water segment:</b>	
Customer 1	296,839	289,928
Customer 2	247,952	261,569
Customer 3	<u>131,352</u>	<u>133,609</u>
	<u>696,143</u>	<u>685,106</u>

## 5 FINANCE COSTS

	2014 AED'000	2013 AED'000
Gross interest charge for the year	134,715	148,198
Less: interest capitalised during the year	-	-
Interest charged to consolidated income statement during the year	<u>134,715</u>	<u>148,198</u>
Interest charged to consolidated income statement comprises of:		
Interest on interest bearing loans and borrowings	62,896	65,505
Rental charges on Islamic financing arrangements	12,075	16,309
Accretion expense on mandatory convertible bonds (note 27)	20,981	24,812
Interest element of obligations under finance lease	2,488	2,978
Amortisation of transaction costs	13,729	13,786
Other finance costs	<u>22,546</u>	<u>24,808</u>
	<u>134,715</u>	<u>148,198</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

**6 PROFIT FROM OPERATIONS**

**6.1 Operating costs**

	2014	2013
	AED '000	AED '000
Costs of inventories recognised as an expense	44,078	33,405
Contract costs	-	77
Depreciation (note 11)	121,788	144,205
Utility costs	277,462	273,751
Purchase of chilled water from a related party (note 31)	89,202	90,534
Chiller rental costs	3,068	3,362
Others	61,422	46,793
	<u>597,020</u>	<u>592,127</u>

**6.2 Administrative and other expenses**

	2014	2013
	AED '000	AED '000
Staff costs	113,578	100,876
Depreciation (note 11)	4,226	4,483
Provision for doubtful debts (note 18)	1,688	911
Other administrative and general expenses	40,042	44,096
	<u>159,534</u>	<u>150,366</u>

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

Basic earnings per share are calculated by dividing the 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 (note 27).

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

**7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT continued**

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

	2014	2013
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>325,654</u>	<u>272,351</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	692,082	657,047
Effect of mandatory convertible bond ('000)	<u>2,766,640</u>	<u>2,726,349</u>
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	<u>3,458,722</u>	<u>3,383,396</u>
Basic and diluted earnings per share (AED)	<u>0.09</u>	<u>0.08</u>

Basic earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 27). The Company does not have any instruments which would have a dilutive impact on earnings per share when exercised.

**8 DIVIDENDS AND BOARD REMUNERATION**

The Board of Directors proposed a dividend of 5 fils per share pertaining to both common shareholders and mandatory convertible bond holders in respect of the fiscal year ended 31 December 2013. This dividend was approved by the shareholders at the Annual General Meeting held on 24 March 2014 and was paid on 23 April 2014.

The dividend consisted of a cash payment of AED 32.9 million to the common shareholders and a settlement of dividends of AED 137.9 million accruing to holders of the mandatory convertible bonds in the form of a new tranche of mandatory convertible bonds (MCB 4) with no coupon, convertible into the Company's shares by April 2019 (note 27).

The difference between the dividend amount attributable to the mandatory convertible bond holder and the book value of MCB 4 issued of AED 97.1 million based on the strike price of AED 1.6856 for 57,605,736 shares has been transferred to other reserve.

Furthermore, Board of Directors' remuneration for the year ended 31 December 2013 of AED 4.5 million (2012: AED 7.5 million) was also approved at the Annual General Meeting held on 24 March 2014.

On 21 January 2015, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution to shareholders of dividend of 5 fils per share in respect of the fiscal year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

**9 SUBSIDIARIES AND MATERIAL PARTLY-OWNED 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 2014	Percentage of holding 2013	Principal activities
<i>Chilled water segment</i>				
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100	Selling of chilled water
Summit District Cooling Company	UAE	100	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	90	90	Selling of chilled water
Tabreed Oman SAOC	Oman	60	60	Selling of chilled water
Tabreed LLC Oman	Oman	100	100	Selling of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	100	100	Operation and maintenance of plants
<i>Value chain business segment</i>				
Gulf Energy Systems LLC	UAE	100	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	60	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	100	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	100	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	70	70	Design and supervision consultancy
Installation Integrity 2006 WLL (i)	Qatar	-	71	Commissioning and engineering services
Sahara Cooling and Air Conditioning LLC	UAE	51	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
<i>Others - Unallocated</i>				
Tabreed Holdings WLL	Bahrain	100	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC (ii)	UAE	100	-	Act as a holding company

None of the subsidiaries have material non-controlling interests.

- (i) During the year, the Company sold its stake in a subsidiary, Installation Integrity 2006 WLL to an associate, Qatar Central Cooling Company QCSC for AED 1.1 million. The transaction was made at book value and accordingly no gain or loss was recognised.
- (ii) During the year, the Company incorporated a 100% subsidiary, Tabreed Al Maryah District Cooling Investment LLC (TAM), in the Emirate of Abu Dhabi with a share capital of AED 300,000. The principal activity of the company is to hold an investment in a joint venture engaged in the supply of chilled water in the Al Maryah Island in Abu Dhabi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

**10 CAPITAL WORK IN PROGRESS**

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

	2014 AED '000	2013 AED '000
Balance at 1 January	110,192	108,510
Additions during the year	67,908	49,053
Transfer to property, plant and equipment (note 11)	(37,979)	(31,639)
Transfer of capital work in progress to a joint venture	-	(15,732)
	<b>140,121</b>	110,192
Advances to contractors	16,996	7,519
	<b>157,117</b>	117,711

Refer to note 11 for indicators and testing of impairment of cash generating units.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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
<b>2014</b>						
<b>Cost:</b>						
At 1 January 2014	4,124,728	2,267,015	13,133	36,572	1,205	6,442,653
Additions	45,839	5,048	376	4,127	83	55,473
Transfer from capital work in progress (note 10)	29,583	8,396	-	-	-	37,979
Transfer from asset held for sale (note 34)	21,055	-	-	-	-	21,055
Derecognised due to recognition as finance lease (note 17)	(870,801)	(396,983)	-	-	-	(1,267,784)
Assets written off	(14,225)	-	-	-	-	(14,225)
Subsidiary disposed off (note 9)	-	-	(57)	(519)	(72)	(648)
Disposals	-	-	(2,704)	-	(157)	(2,861)
At 31 December 2014	<u>3,336,179</u>	<u>1,883,476</u>	<u>10,748</u>	<u>40,180</u>	<u>1,059</u>	<u>5,271,642</u>
<b>Depreciation:</b>						
At 1 January 2014	580,938	198,973	12,684	31,610	1,135	825,340
Depreciation for the year	96,954	27,063	309	1,671	17	126,014
Derecognised due to recognition as finance lease (note 17)	(186,250)	(47,542)	-	-	-	(233,792)
Subsidiary disposed off (note 9)	-	-	(44)	(441)	(4)	(489)
Asset written off	(692)	-	-	-	-	(692)
Disposals	-	-	(2,704)	-	(157)	(2,861)
At 31 December 2014	<u>490,950</u>	<u>178,494</u>	<u>10,245</u>	<u>32,840</u>	<u>991</u>	<u>713,520</u>
Net carrying amount before provision for impairment: At 31 December 2014	<u>2,845,229</u>	<u>1,704,982</u>	<u>503</u>	<u>7,340</u>	<u>68</u>	<u>4,558,122</u>
<b>Impairment:</b>						
At 1 January 2014	483,299	355,448	-	-	-	838,747
Impairment during the year	75,362	104,013	-	-	-	179,375
At 31 December 2014	<u>558,661</u>	<u>459,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,018,122</u>
Net carrying amount after provision for impairment: At 31 December 2014	<u>2,286,568</u>	<u>1,245,521</u>	<u>503</u>	<u>7,340</u>	<u>68</u>	<u>3,540,000</u>
<b>2013</b>						
<b>Cost:</b>						
At 1 January 2013	4,141,935	2,264,382	12,912	34,132	1,235	6,454,596
Additions	437	-	221	2,440	72	3,170
Transfer from capital work in progress (note 10)	29,006	2,633	-	-	-	31,639
Reimbursement from customer	(6,515)	-	-	-	-	(6,515)
Asset classified under held for sale (note 34)	(40,135)	-	-	-	-	(40,135)
Disposals	-	-	-	-	(102)	(102)
At 31 December 2013	<u>4,124,728</u>	<u>2,267,015</u>	<u>13,133</u>	<u>36,572</u>	<u>1,205</u>	<u>6,442,653</u>
<b>Depreciation:</b>						
At 1 January 2013	477,625	156,382	12,088	29,442	1,217	676,754
Depreciation for the year	103,313	42,591	596	2,168	20	148,688
Disposals	-	-	-	-	(102)	(102)
At 31 December 2013	<u>580,938</u>	<u>198,973</u>	<u>12,684</u>	<u>31,610</u>	<u>1,135</u>	<u>825,340</u>
Net carrying amount before provision for impairment: At 31 December 2013	<u>3,543,790</u>	<u>2,068,042</u>	<u>449</u>	<u>4,962</u>	<u>70</u>	<u>5,617,313</u>
Provision for impairment at 1 January 2013 and 31 December 2013	<u>483,299</u>	<u>355,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>838,747</u>
Net carrying amount after provision for impairment: At 31 December 2013	<u>3,060,491</u>	<u>1,712,594</u>	<u>449</u>	<u>4,962</u>	<u>70</u>	<u>4,778,566</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

## 11 PROPERTY, PLANT AND EQUIPMENT continued

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

	2014 AED '000	2013 AED '000
Included in operating costs (note 6.1)	<u>121,788</u>	144,205
Included in administrative and other expenses (note 6.2)	<u>4,226</u>	<u>4,483</u>
	<u>126,014</u>	<u>148,688</u>

Property, plant and equipment with a carrying amount of AED 772 million (2013: AED 853 million), together with the customer receivables associated with these plants have been pledged as security for the interest bearing loans and borrowings and Islamic financing arrangements (notes 25).

Net book value of plant amounting to AED 38.2 million (2013: AED 39.8 million) are held under finance lease. The leased assets are pledged as security for the related finance lease liability (note 28).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors 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.

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

- Identification of cash generating units;
- 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;
- Amount and timing of revenue relating to capacity of the plant,
  - a. contracted but not connected at year end; and
  - b. not connected at year end;
- Inflation rate (3%) 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 based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Company's weighted average cost of capital (WACC) of 8.5% (2013: 8.5%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**11 PROPERTY, PLANT AND EQUIPMENT** continued

## (i) Impairment and write off of property, plant and equipment

The real estate sector in Bahrain is yet to recover from the unprecedented events brought about by the global financial crisis of 2007-2010 and key real estate developments have been delayed. In addition, the Company signed a contract extension which results in load rationalisation across developments. As a result thereof, management has prudently recorded impairment for the amount of shortfall of recoverable value over the carrying amount of the property, plant and equipment representing its best estimate as at 31 December 2014. The impairment and write off charge has been reported in the consolidated income statement under other gains and losses. The impairment recorded in the consolidated income statement relates to the chilled water segment.

**12 INVESTMENTS IN ASSOCIATES**

The Company has the following investments in associates:

	Country of incorporation	Ownership	
		2014	2013
Industrial City Cooling Company	United Arab Emirates	20%	20%
Qatar Central Cooling Company PJSC	Qatar	44%	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	25%	25%
Sahara Cooling Limited	United Arab Emirates	40%	40%
Cool Tech Qatar	Qatar	-	49%

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investment in associates is as follows:

	2014 AED '000	2013 AED '000
At 1 January	450,582	401,487
Share of results for the year	79,783	65,081
Additions during the year	33,276	-
Disposal	(1,807)	-
Dividends received	(33,336)	(22,614)
Share of changes in fair value of effective cash flow hedges	932	6,628
At 31 December	529,430	450,582

The associates are involved in the same business activity as Tabreed, except Cool Tech Qatar which was involved in selling evaporative cooling equipment and related products. The reporting dates for the associates are identical to Tabreed.

During the year, the Company sold its stake in an associate, Cooltech Qatar WLL to another associate Qatar Central Cooling Company QCSC for AED 1.8 million. The transaction was made at book value and accordingly no gain or loss was recognised.

During the year, the Company made an additional investment of AED 33.3 Million in its associate Tabreed District Cooling Company (Saudi).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**12 INVESTMENTS IN ASSOCIATES** continued

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

	2014 AED '000	2013 AED '000
Share of the associates' statement of financial position:		
Current assets	222,275	203,999
Non-current assets	1,027,564	1,016,151
Current liabilities	(406,525)	(240,217)
Non-current liabilities	(313,884)	(529,351)
Net assets	529,430	450,582
Share of the associates' revenues and results:		
Revenues	230,520	209,998
Other comprehensive income	932	6,628
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 2.5 million (2013: AED 1.6 million))	82,282	66,710

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 11.5 million (2013: AED 12.4 million).

Summarised results of a material associate, Qatar Central Cooling Company PJSC, are presented below:

	2014 AED '000	2013 AED '000
Summarised statement of Income:		
Revenue	339,919	315,814
Cost of sales	(172,480)	(170,511)
Administrative and other expenses	(34,832)	(21,610)
Net finance cost	(16,509)	(14,633)
Profit for the year	116,098	109,060
Tabreed's share of results for the year	49,049	46,372
Summarised statement of financial position:		
Current assets	292,521	367,384
Non-current assets	1,240,472	1,230,634
Current liabilities	(77,107)	(279,815)
Non-current liabilities	(704,584)	(642,240)
Net assets	751,302	675,963
Tabreed's share of net assets	330,573	297,424
Dividends received from associate	16,074	14,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014**13 INVESTMENTS IN JOINT VENTURES**

The Company has the following investments in joint ventures:

	Country of incorporation	Ownership	
		2014	2013
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	51%	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	50%	50%
Business District Cooling Investment LLC	United Arab Emirates	50%	-

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements.

S&T Cool District Cooling Company LLC (S&T), a limited liability company, incorporated in Emirate of Abu Dhabi, is involved in the same business activity as Tabreed. The Group's interest in S&T is accounted for using the equity method in the consolidated financial statements.

On 30 June 2014, the Company, together with a joint venture partner, incorporated Business District Cooling Investment LLC ("BDCI") with an initial equity injection of AED 58.4 million each. The investment has been accounted for as a joint venture under equity method of accounting as both the joint venturers jointly control and have equal rights to the net assets.

The reporting date for the joint ventures is identical to Tabreed.

Movement in investments in joint ventures is as follows:

	2014	2013
	AED '000	AED '000
At 1 January	1,666	1,427
Addition during the year	58,395	-
Share of results for the year	3,084	(557)
Share of changes in fair value of effective cash flow hedges	(14,125)	-
Adjustments for inter group transactions	213	796
At 31 December	<u>49,233</u>	<u>1,666</u>
Share of the joint ventures' revenues and profits:		
Revenues	<u>62,126</u>	<u>26,239</u>
Profit (loss) for the year	<u>3,084</u>	<u>(319)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014**13 INVESTMENTS IN JOINT VENTURES** continued

The following illustrates summarised information of Tabreed's investments in joint ventures.

	2014	2013
	AED '000	AED '000
Tabreed's share of the assets and liabilities of the joint ventures are as follows:		
Current assets	133,631	70,019
Non-current assets	<u>642,978</u>	<u>173,568</u>
	<b>776,609</b>	<b>243,587</b>
Current liabilities	(112,777)	(36,410)
Non-current liabilities	(542,323)	(133,235)
Loan from shareholders (note 16)	<u>(72,276)</u>	<u>(72,276)</u>
Total net assets	<u><b>49,233</b></u>	<u><b>1,666</b></u>

Net assets of joint ventures include the Company's share of negative fair value of derivatives of a joint venture amounting to AED 14.1 million (2013:nil).

None of the joint ventures are individually material to the Group.

**14 INTANGIBLE ASSETS**

	Goodwill	
	2014	2013
	AED '000	AED '000
Balance at 1 January and 31 December	<u>37,596</u>	<u>37,596</u>

**15 IMPAIRMENT TESTING OF GOODWILL**

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

	2014	2013
	AED '000	AED '000
Ian Banham & Associates	27,711	27,711
UAE Armed Forces	9,712	9,712
Other	<u>173</u>	<u>173</u>
Total	<u><b>37,596</b></u>	<u><b>37,596</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**15 IMPAIRMENT TESTING OF GOODWILL** continued

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
- UAE Armed Forces cash generating unit relating to goodwill arising from acquisition of Gulf Energy Systems.

**Ian Banham & Associates**

The recoverable amount of the 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 covering a five-year period ending 31 December 2019. The discount rate applied to the cash flow projections is 25% (2013: 25%). Revenue is earned from project 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% (2013: 3%).

**UAE Armed Forces cash generating unit**

The recoverable amount of the UAE Armed Forces cash generating unit is determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on a signed contract with customer for a period of 20 years. 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 plants in the cash generating unit 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% (2013: 8.5 %) representing the Company's weighted average cost of capital.

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 A JOINT VENTURE**

	2014	2013
	AED '000	AED '000
Loan to a joint venture	<u>72,276</u>	<u>72,276</u>

The Company has granted a loan of AED 72.3 million to S&T District Cooling Company LLC, a joint venture. The loan is unsecured and interest free. The amount is not expected to be repaid within twelve months from the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**17 FINANCE LEASE RECEIVABLES**

Movement in the finance lease receivables during the year is as follows:

	2014	2013
	AED '000	AED '000
At 1 January	<b>1,736,693</b>	1,740,368
Initial recognition of new finance lease receivables during the year (ii)	<b>1,280,469</b>	-
Finance lease income (note 3)	<b>171,618</b>	121,720
Lease rentals received	<b>(206,505)</b>	(125,395)
At 31 December	<b><u>2,982,275</u></b>	<u>1,736,693</u>

Analysed in the consolidated statement of financial position as follows:

Current assets	<b>220,941</b>	117,787
Non-current assets	<b><u>2,761,334</u></b>	<u>1,618,906</u>
	<b><u>2,982,275</u></b>	<u>1,736,693</u>

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

	2014		2013	
	Minimum lease receivables	Present value of minimum lease receivables	Minimum lease receivables	Present value of minimum lease receivables
	AED '000	AED '000	AED '000	AED '000
Within one year	<b>228,281</b>	<b>220,941</b>	122,108	117,787
After one but no more than five years	<b>952,044</b>	<b>796,569</b>	515,018	417,605
More than five years	<b>4,411,285</b>	<b>1,964,765</b>	3,163,958	1,201,301
	<b><u>5,591,610</u></b>	<b><u>2,982,275</u></b>	<u>3,801,084</u>	<u>1,736,693</u>
Unearned revenue (note i)	<b>(2,609,335)</b>	-	(2,064,391)	-
	<b><u>2,982,275</u></b>	<b><u>2,982,275</u></b>	<u>1,736,693</u>	<u>1,736,693</u>

(i) Movement in unearned revenue is as follows:

	2014	2013
	AED '000	AED '000
At 1 January	<b>2,064,391</b>	2,186,111
Relating to new finance leases	<b>716,562</b>	-
Recognised during the year (note 3)	<b>(171,618)</b>	(121,720)
At 31 December	<b><u>2,609,335</u></b>	<u>2,064,391</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**17 FINANCE LEASE RECEIVABLES** continued

- (ii) During the year, the Company signed an amendment to the Master Cooling Agreement (the "Amendment Agreement") with a customer. The Amendment Agreement introduces various revisions to the terms of the original Master Cooling Agreement for specified plants and related distribution network.

Management has carried out a reassessment of the arrangement to provide cooling services to the customer through the specified plants in accordance with the terms of the Amendment Agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the specified plants and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the specified plants to the customer.

Consequently, the carrying amount of the specified plants and related distribution network amounting to AED 1,034 million has been derecognized from property, plant and equipment and finance lease receivable has been recorded at fair value at the inception of the Amendment Agreement amounting to AED 1,280 million, thereby resulting in a gain of AED 246 million. During the year, the Group also recognised a provision of AED 102 million on an onerous contract with an associate for the purchase of chilled water related to plants covered by the Amendment Agreement. The loss has been reported in the consolidated income statement under 'other gains and losses' and the provision balance has been reported within 'other payables and provisions' (note 30).

**18 ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	2014 AED '000	2013 AED '000
Trade receivables	252,950	230,257
Amounts due from related parties (note 31)	156,242	176,311
Advances to contractors and employees	23,108	18,898
Deposits and other receivables	22,714	21,026
Prepayments	11,828	12,032
	<u>466,842</u>	<u>458,524</u>

As at 31 December 2014, trade receivables with a nominal value of AED 11.9 million (2013: AED 11.9 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2014 AED '000	2013 AED '000
At 1 January	11,960	15,550
Charge for the year (note 6.2)	1,688	911
Amounts written off	(1,716)	(4,501)
At 31 December	<u>11,932</u>	<u>11,960</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**18 ACCOUNTS RECEIVABLE AND PREPAYMENTS** continued

As at 31 December, the ageing analysis of unimpaired trade receivables and amounts due from related parties is as follows:

	Neither past		Past due but not impaired					
	Total AED'000	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
2014	409,192	199,563	37,956	9,798	11,414	8,268	38,118	104,075
2013	406,568	170,645	35,408	15,450	11,475	9,192	94,008	70,390

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. For terms and conditions relating to related party receivables, refer to note 31.

**19 CONTRACT WORK IN PROGRESS**

	2014 AED '000	2013 AED '000
Balance as at 1 January	43,208	52,276
Cost plus attributable profit	-	79
Progress payments received and receivable	(2,724)	(9,147)
Balance as at 31 December	<u>40,484</u>	<u>43,208</u>

**20 CASH AND TERM DEPOSITS**

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

	2014 AED '000	2013 AED '000
Bank balances and cash	114,640	444,982
Bank deposits	303,292	225,400
	417,932	670,382
Less: Bank deposits with original maturity in excess of 3 months	(252,674)	-
Cash and cash equivalents as at 31 December	<u>165,258</u>	<u>670,382</u>

Bank deposits attract a fixed rate of interest ranging from 0.20% to 2.0% per annum (2013: 0.25% to 2.1% per annum).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**20 CASH AND TERM DEPOSITS** continued**Non-cash transaction in the statement of Cash flows:**

Refinancing of interest bearing loans and borrowings and islamic financing arrangements have been excluded from the cash flow statement (note 25).

Geographical concentration of cash and term deposits is as follows:

	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
Within UAE	<b>404,497</b>	652,359
Outside UAE	<b>13,435</b>	18,023
	<b>417,932</b>	<b>670,382</b>

**21 ISSUED CAPITAL**

	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
<b>Authorised, issued and fully paid up share capital</b>		
738,489,648 (2013: 659,063,447) ordinary shares of AED 1 each	<b>738,490</b>	659,063

In July 2014, a tranche of mandatory convertible bond ("MCB-4") with a carrying amount of AED 133.9 million was converted into 79,426,201 ordinary shares of AED 1 each (note 27).

**22 TREASURY SHARES**

The Company set up an employee incentive scheme in accordance with the Board of Directors resolution dated 17 December 2000, and contributed 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.

**23 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**23 RESERVES** continued**Other reserve**

This represents amounts transferred on repurchase of MCB 08 on 19 May 2011 through delivery of 415,683,447 shares. AED 1,145.2 million represents difference between the total of liability and equity components extinguished and shares issued. The reserve also includes an amount of AED 8,671 thousand created on settlement of subordinated loan facility - Tranche B into mandatory convertible bonds in 2012.

During the year, the Company's Board of Directors resolved to transfer an amount of AED 137.8 million (2013: AED 133.9 million) from the other reserve to retained earnings (note 27).

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during the year an amount of AED 54.4 million was transferred to other reserve which represents the difference between the carrying of MCB-4 and the amount attributable to share capital.

**24 ADVANCES FROM A RELATED PARTY**

These represent advances received from an associate of a major shareholder relating to funding support for the construction of property, plant and equipment (note 31).

**25 INTEREST BEARING LOANS AND BORROWINGS**

	<i>Effective interest rate %</i>	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
Term loan 1- Facility A (note 1)	EIBOR + margin	<b>586,201</b>	-
Term loan 1- Facility B (note 1)	EIBOR + margin	<b>1,417,810</b>	-
Term loan 1- Facility A (note 1)	EIBOR + margin	-	631,879
Term loan 1- Facility B (note 1)	EIBOR + margin	-	1,197,989
Term loan 2	LIBOR + margin	<b>142,188</b>	150,095
Term loan 3	3%	-	6,060
Term loan 3	3%	-	5,217
Term loan 3	3%	-	1,746
Term loan 3	4.5%	<b>27,407</b>	-
		<b>2,173,606</b>	<b>1,992,986</b>

Analysed in the consolidated statement of financial position as follows:

	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
Current portion	<b>152,734</b>	135,872
Non-current portion	<b>2,020,872</b>	1,857,114
	<b>2,173,606</b>	<b>1,992,986</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014

**25 INTEREST BEARING LOANS AND BORROWINGS** continued

*(i) Term loan 1 – facility (A and B)*

During the year, the Company refinanced the existing interest bearing loans and borrowings and Islamic financing arrangements of AED 2.14 billion (together the “existing loans”), and obtained AED 450 million in revolving facility.

The existing loans were refinanced as term loan facilities A and B amounting to AED 692 million and AED 1.45 billion respectively. The facilities carry interest rates of EIBOR plus a margin.

The facility A is repayable in 9 equal semi-annual instalments of AED 76.9 million each commencing from 31 December 2014 with the last instalment due on 31 December 2018 (2013: The facility A was repayable in 13 equal semi-annual instalments amounting to AED 76.9 million commencing from 31 December 2012 with the last instalment due on 31 March 2019).

Facility B is repayable in 4 equal semi-annual instalments of AED 76.9 million each commencing from 30 June 2019 and the remainder in a bullet payment on 31 March 2021 (2013: Facility B was repayable in a bullet payment on 31 March 2019).

A revolving facility of AED 450 million is also extended to the Group and replaces existing revolving facility of AED 180 million and documentary credit facility of AED 150 million. The new revolving facility is to be utilised in the form of issuance of documentary credits and drawing cash advances. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 March 2021. As of 31 December 2014, the company did not make any draw downs on the revolving facility.

Interest on the loan facilities is payable in cash on a quarterly basis. The facilities are secured against plants, equipment and trade debtors (refer note 11).

*(ii) Term loan 2*

Term loan 2 relating to a subsidiary borrowing is repayable in 22 semi-annual instalments starting 2008.

*(iii) Term loan 3*

Term loan 3 relating to a subsidiary has been refinanced during the year with the previous borrowings.

The new facility is for AED 28.6 million and is repayable in 30 equal quarterly payments. As at 31 December 2014, the group has availed AED 27.4 million of the available facility.

**26 ISLAMIC FINANCING ARRANGEMENTS**

	<i>Profit charge %</i>	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
Islamic financing arrangement 1 Facility A	EIBOR + margin	-	114,433
Islamic financing arrangement 1 Facility B	EIBOR + margin	-	393,114
		<u>-</u>	<u>507,547</u>

During the year, the Company refinanced the Islamic financing arrangements (refer note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**26 ISLAMIC FINANCING ARRANGEMENTS** continued

Analysed in the consolidated statement of financial position as follows:

	<b>2014</b> <b>AED '000</b>	<b>2013</b> <b>AED '000</b>
Current portion	-	22,894
Non-current portion	-	484,653
	<u>-</u>	<u>507,547</u>

**27 MANDATORY CONVERTIBLE BOND (MCB)**

The Group has four series of MCBs in issue.

***Mandatory convertible bond MCB-1A***

The Group has two MCB1A bonds in issue:

- A mandatory convertible bond (“MCB-1A”) was issued on 1 April 2011 in the form of trust certificates for a total value of AED 635 million, maturing in March 2019; and
- A mandatory convertible bond (“MCB-1A”) was issued on 31 December 2012 in the form of trust certificates for a total value of AED 411 million, maturing in March 2019. This bond was issued as settlement of sub-ordinated loan facility Tranche B.

MCB-1A carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The MCB-1A shall be converted upon maturity into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

Transaction costs in connection with the issuance of the MCB-1A on inception amounted to AED 10.9 million.

The liability component of MCB-1A amounting to AED 172 million (2013: AED 209 million) net of transaction costs, represents present value of cash coupon payable till maturity, discounted at a market rate of 4% on inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1A amounting to AED 871 million (2013: AED 871 million) net of transaction costs, have been recognised as the equity component of MCB-1A.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**27 MANDATORY CONVERTIBLE BOND (MCB) continued****Mandatory convertible bond MCB-1B**

A mandatory convertible bond ("MCB-1B") was issued on 1 April 2011 in the form of trust certificates for a total value of AED 1,065 million, maturing in March 2019.

MCB-1B carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The MCB-1B shall be converted upon maturity into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

Transaction costs in connection with the issuance of the MCB-1B on inception amounted to AED 18.2 million.

The liability component of MCB-1B amounting to AED 182 million (2013: AED 220 million) net of transaction costs, represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1B amounting to AED 923 million (2013: AED 923 million) net of transaction cost, have been recognised as the equity component of MCB-1B and adjusted for the settlement in kind of the coupon amounting to AED 114.7 million relating to the period from inception to 31 December 2012.

**Mandatory convertible bond MCB-1C**

During 2012, the Group issued mandatory convertible bond ("MCB-1C") in the form of trust certificates for a total value of AED 720 million, maturing in March 2019.

MCB-1C carries a cash coupon of 4% per annum from 1 January 2013 to 31 March 2019, payable in arrears on a quarterly basis and will be converted into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

The liability component of MCB-1C amounting to AED 111 million (2013: AED 134 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1C amounting to AED 560 million (2013: AED 560 million) have been recognised as the equity component of MCB-1C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**27 MANDATORY CONVERTIBLE BOND (MCB) continued****Mandatory convertible bond MCB-4**

A mandatory convertible bond ("MCB-4") was issued on 22 May 2013 in the form of trust certificates for a total value of AED 133.879 million (note 8) maturing in April 2019.

MCB-4 does not carry a coupon. The instrument is convertible any time from now until maturity in 2019 into ordinary shares of the Company based on a fixed exchange ratio of 1.6856. The bond is subordinated in right of payment to the claims of creditors of the Company. MCB-4 has therefore been fully recognised as an equity instrument.

In the Annual General Meeting held on 24 March 2014, the shareholders approved a new tranche of MCB 4 to be issued in the form of trust certificates maturing in April 2019. The value of the new tranche amounting to AED 97.1 million has been estimated based on a fixed exchange ratio calculated using 1-week value weighted average share price as on 1 May 2014. All other terms of the new tranche are similar to those of MCB 4 already in issue.

	2014	2013
Mandatory convertible bonds equivalent number of shares ('000)	<u>2,757,010</u>	<u>2,677,584</u>
Approved dividend – 5 fils per share (AED'000)	<u>137,851</u>	133,879
1-week value weighted average share price (AED)	<u>2.3930</u>	1.6856
Shares issued in lieu of dividend ('000)	<u>57,606</u>	79,426
Strike price as per MCB 4 agreement (AED)	<u>1.6856</u>	1.6856
<b>Value of MCB 4 issued during the year (AED'000)</b>	<b><u>97,100</u></b>	<b><u>133,879</u></b>

In July 2014, a tranche of mandatory convertible bond ("MCB-4") with a carrying amount of AED 133.9 million was converted into 79,426,201 ordinary shares of AED 1 each (note 21).

The mandatory convertible bonds MCB 1A, 1B, 1C and MCB 4 have been issued without any pledge or security. Reconciliation between the amounts presented in the consolidated statement of financial position is as follows:

	<b>Mandatory convertible bond (MCB 1A)</b>		
	<i>Liability component AED '000</i>	<i>Equity component AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2014	208,899	870,575	1,079,474
Accretion expense	7,757	-	7,757
Amortisation of transaction costs	327	-	327
Cash coupons paid	(44,583)	-	(44,583)
<b>Balance at 31 December 2014</b>	<b><u>172,400</u></b>	<b><u>870,575</u></b>	<b><u>1,042,975</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

27 MANDATORY CONVERTIBLE BOND (MCB) *continued*

	<b>Mandatory convertible bond (MCB 1B)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2014	220,111	922,612	1,142,723
Accretion expense	8,210	-	8,210
Amortisation of transaction costs	549	-	549
Cash coupons paid	(47,188)	-	(47,188)
<b>Balance at 31 December 2014</b>	<b>181,682</b>	<b>922,612</b>	<b>1,104,294</b>

	<b>Mandatory convertible bond (MCB 1C)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2014	134,194	559,951	694,145
Accretion expense	5,014	-	5,014
Amortisation of transaction costs	175	-	175
Cash coupons paid	(28,817)	-	(28,817)
<b>Balance at 31 December 2014</b>	<b>110,566</b>	<b>559,951</b>	<b>670,517</b>

	<b>Mandatory convertible bond (MCB 4)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2014	-	133,879	133,879
Issued during the year	-	97,100	97,100
Conversion into ordinary shares	-	(133,879)	(133,879)
<b>Balance at 31 December 2014</b>	<b>-</b>	<b>97,100</b>	<b>97,100</b>

**Total balance of MCBs at 31 December 2014**

<b>464,648</b>	<b>2,450,238</b>	<b>2,914,886</b>
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## Total balance of MCBs at 31 December 2013

563,204	2,487,017	3,050,221
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	<b>Mandatory convertible bond (MCB)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Allocated to the bonds as follows:			
MCB 1A (representing 989,944,912 shares at AED 1 each)	172,400	870,575	1,042,975
MCB 1B (representing 1,047,776,962 shares at AED 1 each)	181,682	922,612	1,104,294
MCB 1C (representing 639,862,459 shares at AED 1 each)	110,566	559,951	670,517
MCB 4 (representing 57,605,736 shares at AED 1 each) (i)	-	97,100	97,100
Total 2,735,190,069 shares @ AED 1 each	<b>464,648</b>	<b>2,450,238</b>	<b>2,914,886</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

27 MANDATORY CONVERTIBLE BOND (MCB) *continued*

Liability component of mandatory convertible bonds is analysed in the consolidated statement of financial position as follows:

	<b>At 31 December 2014</b>	<b>At 31 December 2013</b>
	<b>AED '000</b>	<b>AED '000</b>
Current	104,889	110,159
Non-current	359,759	453,045
	<b>464,648</b>	<b>563,204</b>

## 28 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:

	2014		2013	
	<i>Minimum lease payments</i>	<i>Present value of payments</i>	<i>Minimum lease payments</i>	<i>Present value of payments</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Within one year	7,749	7,364	7,749	7,364
After one year but not more than five years	20,003	16,082	27,755	21,346
After five years	-	-	-	-
	<b>27,752</b>	<b>23,446</b>	<b>35,504</b>	<b>28,710</b>
Less: amounts representing finance charges	(4,306)	-	(6,794)	-
Present value of minimum lease payments	<b>23,446</b>	<b>23,446</b>	<b>28,710</b>	<b>28,710</b>

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

	<b>2014</b>	<b>2013</b>
	<b>AED '000</b>	<b>AED '000</b>
Current	7,364	7,364
Non-current	16,082	21,346
	<b>23,446</b>	<b>28,710</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**29 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:

	2014 AED '000	2013 AED '000
Balance at 1 January	19,851	17,549
Net movement during the year	<u>1,677</u>	<u>2,302</u>
Balance at 31 December	<u>21,528</u>	<u>19,851</u>

**30 ACCOUNTS PAYABLE AND ACCRUALS**

	2014 AED '000	2013 AED '000
<b>Non-current liabilities</b>		
Other payables and provisions	<u>125,692</u>	<u>23,378</u>
<b>Current liabilities</b>		
<i>Relating to capital expenditure:</i>		
Contractor payable and retentions	50,606	64,665
Accrued expenses and provisions	<u>45,824</u>	<u>74,913</u>
	<u>96,430</u>	<u>139,578</u>
<i>Others:</i>		
Accounts payable	50,920	52,686
Due to related parties – associates (note 31)	29,633	36,310
Accrued expenses	160,546	151,083
Other payables and provisions	<u>183,852</u>	<u>185,010</u>
	<u>424,951</u>	<u>425,089</u>
	<u>521,381</u>	<u>564,667</u>

Terms and conditions of the 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 31.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

**31 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, majority shareholder, 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:

	2014				2013			
	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000
Associated companies	-	89,202	-	4,371	-	90,534	-	4,293
Majority shareholder	-	-	20,981	-	183	-	24,812	-
Associate of a majority shareholder	151,804	-	-	-	134,071	-	-	-
Government related departments and institutions	33,488	120,251	26,707	-	33,553	114,585	29,304	-

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

	2014				
	Loan receivable AED'000	Mandatory convertible bond AED'000	Accounts Receivable AED'000	Accounts payables and advances AED'000	Interest bearing loans AED'000
Associated companies	-	-	20,057	25,940	-
Joint venture	72,276	-	11,771	-	-
Majority shareholder (note 27)	-	2,914,886	-	-	-
Associate of a majority shareholder	-	-	120,946	73,869	-
Government related departments and institutions	-	-	3,468	3,693	1,641,026
	<u>72,276</u>	<u>2,914,886</u>	<u>156,242</u>	<u>103,502</u>	<u>1,641,026</u>

	2013				
	Loan receivable AED'000	Mandatory convertible bond AED'000	Accounts Receivable AED'000	Accounts payables and advances AED'000	Interest bearing loans and Islamic financing arrangements AED'000
Associated companies	-	-	20,323	32,868	-
Joint venture	72,276	-	7,313	-	-
Majority shareholder (note 27)	-	3,050,221	223	-	-
Associate of a majority shareholder	-	-	138,009	73,869	-
Government related departments and institutions	-	-	10,443	3,442	906,690
	<u>72,276</u>	<u>3,050,221</u>	<u>176,311</u>	<u>110,179</u>	<u>906,690</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014**31 RELATED PARTY TRANSACTIONS AND BALANCES** *continued***Terms and conditions of transactions with related parties**

Transactions with related parties are made at agreed terms and conditions approved by management and are analysed as follows:

	<i>Terms and conditions</i>	<b>2014</b> <i>AED '000</i>	<i>2013</i> <i>AED '000</i>
Loan to a joint venture	Interest free, unsecured, settlement in cash	<b>72,276</b>	72,276
Mandatory convertible bond 1A	Interest bearing, unsecured, cash coupon	<b>1,042,975</b>	1,079,474
Mandatory convertible bond 1B	Interest bearing, unsecured, cash coupon	<b>1,104,294</b>	1,142,723
Mandatory convertible bond 1C	Interest bearing, unsecured, cash coupon	<b>670,517</b>	694,145
Mandatory convertible bond 4	Unsecured	<b>97,100</b>	133,879
Accounts receivable	Interest free, unsecured, settled over agreed payment terms	<b>156,242</b>	165,868
Accounts receivable from Associate of a majority shareholder	Interest free, unsecured, payment terms as per agreed payment terms	<b>120,946</b>	138,009
Accounts payable	Interest free, unsecured, settled over normal credit period	<b>25,940</b>	32,868
Advance from a related party	Interest free, unsecured, settled on net basis	<b>73,869</b>	73,869
Interest bearing and Islamic financing arrangements and Government related institutions	Interest bearing, secured, settled as per terms of the loan agreement	<b>1,641,026</b>	906,690
Accounts receivables with Government related department and institution	Interest free, unsecured, settled over normal credit period	<b>3,468</b>	10,443
Accounts payables with Government related department	Interest free, unsecured, settled over normal credit period.	<b>3,693</b>	3,442

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, no impairment was recorded (2013: AED nil) 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.

**Compensation of key management personnel**

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

	<b>2014</b> <i>AED '000</i>	<i>2013</i> <i>AED '000</i>
Short-term benefits	<b>20,617</b>	18,902
Employees' end of service benefits	<b>767</b>	639
	<b>21,384</b>	19,541
Number of key management personnel	<b>18</b>	19

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 December 2014**32 CONTINGENCIES****Bank guarantees**

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

	<b>2014</b> <i>AED '000</i>	<i>2013</i> <i>AED '000</i>
Performance guarantees	<b>127,420</b>	119,654
Advance payment guarantees	<b>2,030</b>	2,030
Financial guarantees	<b>2,586</b>	2,586
	<b>132,036</b>	124,270

The Company's share of contingencies of associates as of 31 December 2014 amounted AED 6 million (2013: AED 2 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

**33 COMMITMENTS****Capital commitments**

The authorised capital expenditure contracted for at 31 December 2014 but not provided for amounted to AED 302 million (2013: AED 58 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2014 amounted to AED 102 million (2013: AED 30 million).

**Operating lease commitments - lessor**

The Company enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements qualify to be classified as a lease based on IFRIC 4 and are accounted for as an operating lease based on IAS 17 as the Company does not transfer substantially all the risks and rewards of ownership of the asset to the customer.

These non-cancellable leases have remaining terms of between 15 and 25 years. All leases include a clause to enable upward revision of the rental charge on a periodic basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	<b>2014</b> <i>AED '000</i>	<i>2013</i> <i>AED '000</i>
Within one year	<b>129,134</b>	225,339
After one year but not more than five years	<b>703,536</b>	1,174,774
More than five years	<b>1,373,543</b>	2,386,086
	<b>2,206,213</b>	3,786,199

Included in operating lease commitments is an amount of AED 977 million relating to an associate of a majority shareholder, a related party (2013: AED 1,017 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**34 ASSET HELD FOR SALE**

During the year, the Company has reclassified a plot of land owned by the Group in Oman from “asset held for sale” to property, plant and equipment as the management has resolved to recover the carrying amount of the land through continuing use rather than sale.

In 2013, the Group recognised a loss of AED 19.1 million upon writing down the carrying amount of the land to its fair value.

**35 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, 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 receivables, trade receivables, due from related parties and cash and 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 2014 and 2013 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 and currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, finance lease receivables, finance lease liability and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2014 and 2013.

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 2014 and 2013.

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

- The statement of financial position sensitivity relates to derivatives 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 2014 and 2013 including the effect of hedge accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued****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 cash flow exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations and deposits with floating interest rates.

To manage the cash flow 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 2014, after taking into account the effect of interest rate swaps, approximately 32% of the Group’s borrowings are at a fixed rate of interest (2013: 57%).

*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 term deposits and un hedged portion of loans and borrowings).

	<i>Effect on profit</i> <i>AED ‘000</i>
<b>2014</b>	
+100 increase in basis points	<b>(7,594)</b>
-100 decrease in basis points	<b>7,594</b>
<b>2013</b>	
+100 increase in basis points	(9,683)
-100 decrease in basis points	9,683

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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

## 35 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 receivables) 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 relating to trade receivables and finance lease receivables is the carrying amount as disclosed in notes 17 and 18. The Group's three largest customers, including a related party, account for approximately 61% of outstanding trade and related party receivable balances at 31 December 2014 (2013: 3 customers - 52%). Amounts due in respect of finance lease receivables are from three customers (2013: two customers).

With respect to credit risk arising from other financial assets of the Group, which comprise cash and 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 its financial assets (accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 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
<b>At 31 December 2014</b>						
Mandatory convertible bond	-	30,147	90,441	391,911	-	512,499
Interest bearing loans and borrowings	-	12,561	213,438	1,277,628	1,168,085	2,671,712
Obligations under finance leases	-	1,937	5,812	20,003	-	27,752
Accounts and retention payable, due to related parties and other financial liabilities	-	145,553	240,057	-	-	385,610
	-	190,198	549,748	1,689,542	1,168,085	3,597,573
<b>At 31 December 2013</b>						
Mandatory convertible bond	-	30,147	90,441	482,351	30,147	633,086
Interest bearing loans and borrowings	-	14,443	179,857	779,148	1,315,622	2,289,070
Obligations under finance leases	-	1,937	5,812	27,755	-	35,504
Islamic financing arrangements	-	4,066	37,633	180,944	421,982	644,625
Accounts and retention payable, due to related parties and other financial liabilities	-	134,557	290,571	-	-	425,128
	-	185,150	604,314	1,470,198	1,767,751	4,027,413

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

## 35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

## Capital management

The primary objective of the Group's capital management is to achieve strong credit metrics 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 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, mandatory convertible bond – liability component, obligations under finance lease, less cash and term deposits. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives.

	2014 AED '000	2013 AED '000
Interest bearing loans and borrowings	2,173,606	1,992,986
Islamic financing arrangements	-	507,547
Mandatory convertible bond and – liability component	464,648	563,204
Obligation under finance lease	23,446	28,710
	2,661,700	3,092,447
Less: cash and term deposits	(417,932)	(670,382)
Net debt	2,243,768	2,422,065
Equity	4,860,596	4,576,815
Adjustment for cumulative changes in fair values of derivatives	54,385	50,036
Total capital	4,914,981	4,626,851
Capital and net debt	7,158,749	7,048,916
Gearing ratio	31%	34%

## 36 FAIR VALUE MEASUREMENT

## 36.1 Fair values of financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date except for finance lease receivables, mandatory convertible bond and obligations under finance lease with fixed interest rates. Set out below is a comparison of carrying amounts and fair values of such instruments:

	Carrying Amount		Fair Value	
	2014 AED '000	2013 AED '000	2014 AED '000	2013 AED '000
<b>Financial assets</b>				
Finance lease receivables	2,982,275	1,736,693	3,279,680	1,957,008
<b>Financial liabilities</b>				
Obligations under finance lease	23,446	28,710	27,337	27,528
Mandatory convertible bond – liability component	464,648	563,204	420,603	532,354

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 36 FAIR VALUE MEASUREMENT continued

## 36.2 Fair value hierarchy

As at 31 December 2014 and 2013, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

	Date of valuation	2014			2013			
		31 December 2014 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	31 December 2013 AED'000	Level 1 AED'000	Level 2 AED'000
<b>Assets measured at fair value</b>								
Asset held for sale	31/12/2013	-	-	-	21,055	-	21,055	-
<b>Liabilities measured at fair value</b>								
Interest rate swaps	31/12/2014	76,793	-	76,793	48,432	-	48,432	-
<b>Assets for which fair values are disclosed</b>								
Finance lease receivables	31/12/2014	3,279,680	-	-	3,279,680	1,957,008	-	1,957,008
<b>Liabilities for which fair values are disclosed</b>								
Obligations under finance lease	31/12/2014	27,337	-	-	27,337	27,528	-	27,528
Mandatory convertible bond – liability component	31/12/2014	420,603	-	-	420,603	532,354	-	532,354
		447,940	-	-	447,940	559,882	-	559,882

During the reporting years ended 31 December 2014 and 31 December 2013, 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.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values for assets and liabilities measured at fair value:

- Asset held for sale (land) were valued based on an evaluation performed by an accredited external, independent valuer, applying a valuation model, recommended by the International Valuation Standards Committee.
- The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

## Hedging activities

## Cash flow hedges

The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 36 FAIR VALUE MEASUREMENT continued

## Hedging activities continued

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings 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. The notional amount of the interest rate swaps was AED 2,060 million as at 31 December 2014 (2013: AED 2,605 million).

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
<b>2014:</b>				
Cash inflows (assets)	-	3,394	2,540	5,934
Cash outflows (liabilities)	(26,706)	(16,916)	(15,220)	(58,842)
Net cash outflow	(26,706)	(13,522)	(12,680)	(52,908)
<b>2013:</b>				
Cash inflows (assets)	-	1,925	10,764	12,689
Cash outflows (liabilities)	(18,429)	(25,522)	(1,404)	(45,355)
Net cash outflow	(18,429)	(23,597)	9,360	(32,666)

All derivative contracts are with counterparty banks in UAE.

