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tabreed

ANNUAL REPORT 2010

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President of the UAE & Ruler of Abu Dhabi

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

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Preface

Growth. Evolution. Fruition.

As the world's economies gradually regained vigor in 2010, Tabreed was well placed to reap the benefits of a business that's slowly getting back on its feet. After a year of putting things right by rebuilding foundations, fine-tuning processes, and re-assessing and re-mapping our direction, there is no other way for us to go but forward and up.

With renewed strength, a more focused business model and flexible financial footing, the Company has successfully laid the groundwork for growth that is solid and sustainable. This puts us in a better position to deliver business results in any kind of economic condition.

In the face of a tumultuous 2009 and a still unsteady 2010, our experiences made us all the wiser and more prepared as we approach a future filled with challenges. The past two years taught us resilience and showed us that we can be so much better. But the work is not yet done. In fact, we have only just begun. Because for as long as we endeavor to always be better — if not the best — our pursuit of growth and development will never end.

Message from the Chairman

The past year has seen a transformation in Tabreed's finances and a marked improvement in performance. The Company's fortunes have been turned around after the economic downturn – a time when many companies have floundered. Tabreed's recovery is a tribute to our shareholders' support and the efforts of our management team and staff, and I would like to thank them all for rallying around the Company.

Last year, our key priorities were to ensure that Tabreed was both financially robust and operationally agile. Over the past 12 months, we have made significant progress in these objectives. A combination of strong shareholder support and decisive management action means that, following the closing of our recapitalization program on 1st April 2011, we are now well-capitalized and the business has been reshaped to focus on our competitive strengths and future direction of growth. We now have a strong platform to take Tabreed forward in a challenging environment, but one for which our competitive advantages and business model are well-suited.

We continued to implement our value-enhancing strategies to deliver financial and operational growth across the Company. Our consolidated group revenues were up 31 per cent over the previous year at AED 1,023.7 million. We saw robust performance from our plants – we added 13 new plants to our portfolio and 155,800 RT of capacity. We are proud to have secured the Muleiha contract for two 5,000 RT plants awarded by the UAE Armed Forces and the cooling contract for Dubai Metro's Green Line. Our projects in Oman and Bahrain have commenced production while the plant in Qatar currently has connected capacity at 80,000 RT.

The Company's 5:1 capital reduction in December last year was successfully completed and our bank creditors agreed to refinance AED 2.6 billion of liabilities and extend a new AED 150 million revolving credit facility.

Developing the Business For the Longer Term

I am confident that we will see some outstanding opportunities over the next few years. With a focused business model on our core business of chilled water, good liquidity and a strong balance sheet, I also believe that we are now well placed to build a great business. Our market positioning has ensured that we have had the option to consider many arising opportunities, but we have adopted a cautious approach.

Having restored the Company to financial health, we intend to maintain a conservative balance sheet. We will continue to focus on limiting the absolute level of net debt, reducing gross debt and maintaining liquidity, thereby ensuring that we are well placed to take advantage of opportunities as they emerge.

District cooling is currently the preferred technology for new buildings as it is the energy efficient alternative to traditional air conditioning. With an efficient business model, we can drive this growth and reap rewards as regional governments are keen to reduce power consumption and lower carbon dioxide emissions.

Vision, Business Model and Strategy

Everything we do is based on a set of core values in which we believe. Our vision is to be recognized as the leading district cooling company globally and to set industry standards and benchmarks. I believe we should be judged not only on the returns we deliver to our shareholders, which should reflect the value we add to our clients and partners, but also on our responsible approach to growth and expansion.

Tabreed has a well-experienced management team, and our expertise and network of contacts give us the ability to mobilize influencers and decision makers for the benefit of our stakeholders – providing us a unique competitive edge. We will continue to invest in our brand through the training and development of our people and build on our heritage – as a company championing corporate responsibility issues and transparency.

Looking Forward

Our strategy is focused on continuous improvement of our business model. We intend to expand our footprint in a responsible fashion around our core business of chilled water, and to develop our capabilities to build sustainable competitive advantage.

We are already seeing significant opportunities to expand Tabreed's current business. While it is our intention to expand the business over the next few years, the absolute priority remains the delivery of attractive returns to shareholders by achieving the full potential of current activities.

Finally, I would like to place on record my gratitude to our shareholders and Tabreed's management team. They have dealt with difficult times and tough decisions, and shown remarkable resilience, good judgment and integrity.

I am confident that Tabreed's efforts so far have resulted in an increasingly efficient cost structure that positions us well to capitalize on the upswing in the future. Our priorities are to drive growth and enhance performance, and we have a clear vision for the Company's future that will generate significant value for years to come.

"2010 was a monumental year in Tabreed's history. We delivered strong results, while making considerable headway in our recapitalization program. Our priorities continue to remain on growth and value-creation."

Khadem Abdulla Al Qubaisi
Chairman

Business Summary

Founded in 1998 as part of the Abu Dhabi Offsets program, National Central Cooling Company ('Tabreed') is the world's leading district cooling company with shares trading on the Dubai Financial Market. Tabreed is well regarded in the infrastructure sector as a pioneer of district cooling. We have 49 cooling plants in operation and another 16 plants under construction as of the end of December 2010. Of the total 49 plants, one is owned via our S&T joint venture, eight are through two associate companies (Industrial City Cooling - two plants and Sahara Cooling - six plants). The remaining 40 plants are wholly-owned by Tabreed.

Besides its core business of producing and delivering chilled water, Tabreed's subsidiary and affiliate companies provide additional services required in the district cooling industry. These services include pipe manufacturing, plant construction, mechanical and engineering services to buildings, and water management services. In the UAE, Tabreed's district cooling services are widely-used in residential and business districts and institutional settings such as college campuses and in military facilities. Tabreed also has ventures in other regional markets including Qatar, Saudi Arabia, Bahrain, Oman, and Kuwait.

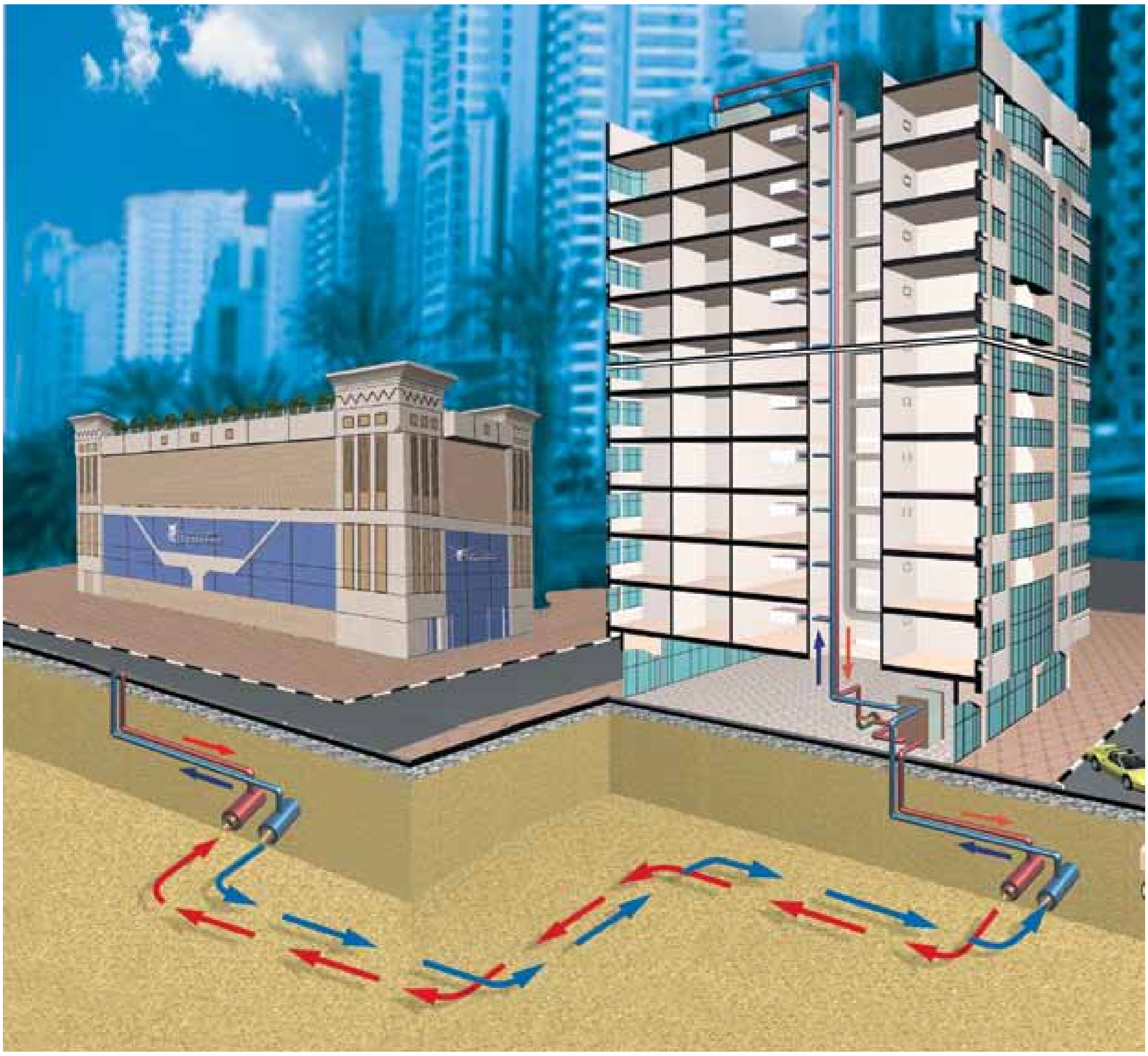
What is District Cooling?

In its simplest form, district cooling is the production and distribution of chilled water from a central source to multiple buildings to facilitate air conditioning. This is done by producing chilled water at a central plant and then piping the water, through underground insulated pipes, to customers.

District cooling is suitable for residential, commercial and military developments, especially large-scale, high density population developments in cities, such as downtown business districts, airports, military bases and university campuses.

District cooling system can use a variety of conventional fuels, based on their availability, such as coal, oil and natural gas, whichever fuel is most competitive at the time. And because of a district energy system's size, the district energy plant can also transition to use renewable fuels such as biomass, geothermal, and combined heat and power.

District cooling has a number of benefits over traditional cooling systems including significant cost and energy efficiencies. Through its application in schools, universities, hospitals and other institutions, district cooling provides a more efficient way of cooling crucial social infrastructure. In hot and arid regions, such as the Middle East, district cooling is increasingly playing a vital role in enabling further economic growth and diversification.



Simple DC Process

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

District Cooling Benefits

Improved Efficiencies

District cooling systems enjoy significant economies of scale relative to traditional chillers, thereby creating a number of benefits for users.

District cooling systems are more energy efficient, reducing the challenges posed by the high electricity needs of traditional air conditioning, which consumes around 70 per cent of total building energy and constitutes about 70 per cent of the peak electricity demand. District cooling systems shift the load from individual locations to a central plant, while generating capacity and associated electricity distribution infrastructure. District cooling ultimately reduces energy consumption relative to traditional coolers. District cooling enjoys a number of cost efficiencies, including reduced energy costs, lower maintenance costs and up to a 10 per cent reduction in building costs for developers. District cooling plants are more durable than traditional coolers, requiring replacement only every 30 years or so rather than 10 to 15 years for traditional coolers. It also offers improved air quality and temperature control.

Flexibility

District cooling systems users, such as building owners, enjoy greater flexibility in investment because the upfront investment required for traditional coolers can be reallocated, while roof space previously required for roof-chillers can be designed into a more valuable area. Users also enjoy the flexibility of outsourcing the operational and maintenance requirements of their cooling system.

Reliability

Units used are high-tech and industrial which dramatically decreases the failure frequency compared to commercial equipment. District cooling reliability is in excess of 99.94 per cent (Source: IDEA). In addition, standby units are always available at every cooling facility and round-the-clock operation and maintenance services ensure preventive maintenance and a swift response in case of malfunctions.

Reduced Pollution

District cooling systems can reduce pollution levels through reduced energy demand relative to traditional chillers. There is also the potential to switch district cooling systems to renewable energy feed stocks. The use of district cooling also leads to a reduction in CO_2 emissions and improved air quality since traditional air conditioning consumes twice the electricity per KW-Hr/Ton-Hr over the electricity usage of district cooling; air conditioning in the UAE consumes roughly 70 per cent of peak electricity demand. District cooling systems also reduce both noise and visual pollution because developers don’t install ugly and noisy roof-chillers.

Markets in Which We Operate

Tabreed was founded in the UAE but has now expanded in the region. Having proven that district cooling is a more efficient user of energy and more economically efficient cooling system, we have attracted government agencies along with commercial customers and built a substantial portfolio of district cooling projects.

The GCC is the ideal market for district cooling, not only due to the naturally dry and hot climate but more so because of the unprecedented urban growth and development in the region over the past 13 years. In summer, air conditioning accounts for 70 per cent of peak demand for electricity. On the other hand, there is a strong outlook for district cooling market despite the global economic crisis thanks primarily to new developments and the region's growing consciousness towards energy efficiency, particularly in the UAE.

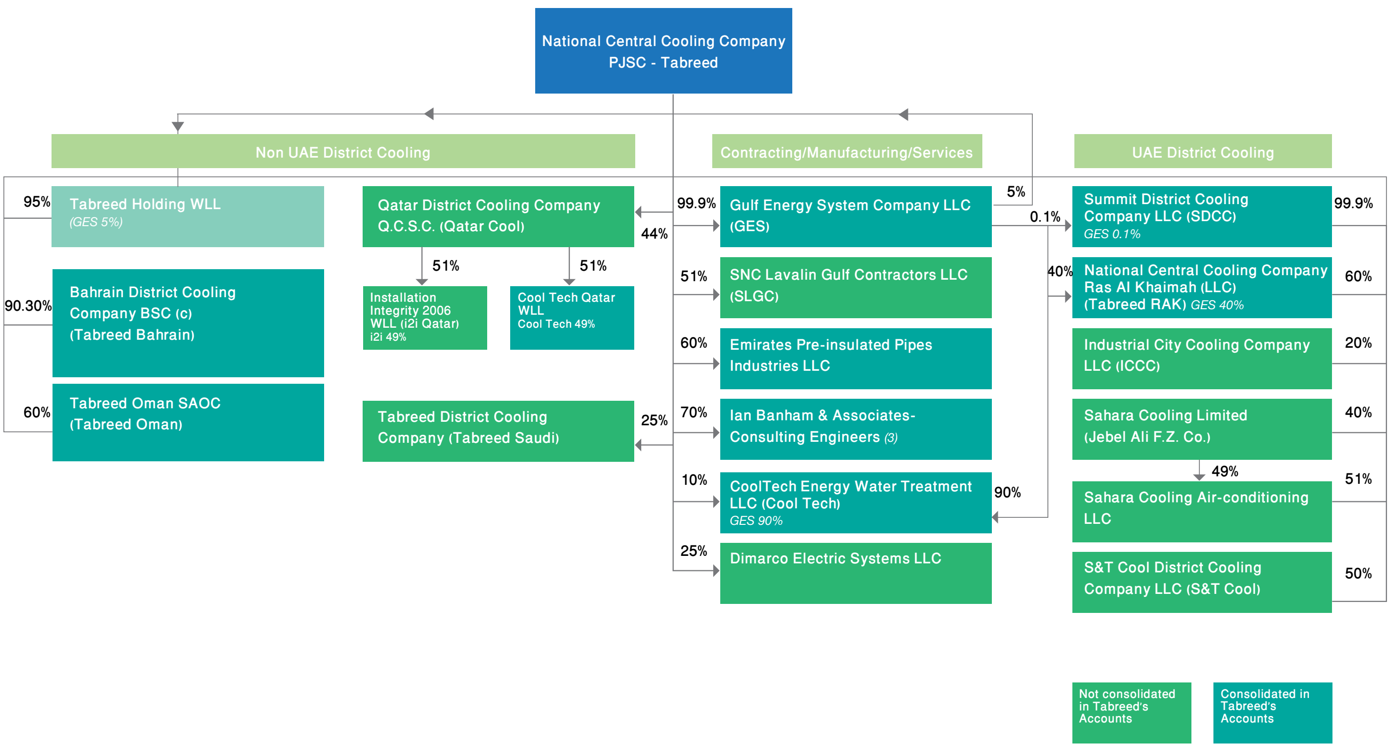
Why the Cooling Industry is Indispensable to the Region

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

Affiliates and Subsidiaries

Through its affiliates and subsidiaries, Tabreed is engaged in a range of construction, manufacturing, and service industries.

Corporate Structure Chart *



* Does not include dormant companies

Chilled Water

Qatar Cool

Qatar District Cooling Company, also known as Qatar Cool, is a private sector joint venture company owned by United Development Company, Tabreed and other private Qatari investors. Qatar Cool provides district cooling services for the public, commercial and industrial sectors in West Bay, Doha. Consisting of two plants and covering 10 square kilometres, the facilities are currently supplying over 67,000 refrigerating tons of cooling. They serve more than 35 towers with a capacity committed to serve 48. In 2010, Qatar Cool inaugurated the Integrated District Cooling Plant on The Pearl-Qatar Island. It is the largest district cooling plant in the world, with a capacity of up to 130,000 RT. This plant provides chilled water to 41,000 residents, hotels, shopping centres and other facilities on the 400-hectare island and is an important feature in The Pearl's advanced infrastructure.

Sahara Cooling and Air Conditioning

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

Bahrain District Cooling Company

Tabreed Bahrain – Bahrain District Cooling Company B.S.C. – is a private sector joint venture company owned by Tabreed, Esterad and A.A. Bin Hindi. Established in October 2004, Tabreed Bahrain is amongst the fastest growing companies in the kingdom. Tabreed Bahrain provides district cooling services throughout the island kingdom, currently serving three of the most prestigious projects on the island: the Bahrain World Trade Centre, Bahrain Financial Harbour, and Reef Island.

Saudi Tabreed

Saudi Tabreed is a closed joint stock company established in Saudi Arabia. The major partners are ACWA Power, RASD International and Tabreed. Saudi Tabreed is constructing its first cooling plant for Saudi Aramco and this should provide a platform for further projects in this important and fast growing market.

Tabreed Oman

Tabreed Oman, an Omani closed joint stock company, is a partnership between Tabreed WLL and a group of Omani shareholders comprising Ministry of Defense Pension Fund, the Diwan of Royal Court Pension Fund, the ISS Pension Fund, PMA International Ltd and Private Projects Development Co. LLC. As a new company established in 2008, Tabreed Oman has secured contracts for 10,000 RT and is focused on securing long-term commitments from reputable customers, having signed concession agreements with the Oman Government for the industrial area in Sohar and the IT Park in Muscat. Tabreed Oman commissioned its first plant in September 2010 and has begun construction in 2011 on its second plant to be commissioned in the first quarter of 2012.

S&T Cool District Cooling Company

Established in January 2008, S&T Cool is a 50-50 joint venture between Tabreed and Sorouh Real Estate. S&T Cool currently has one 10,000 RT district cooling plant supplying chilled water to sectors five and six of Shams Abu Dhabi-Reem Island, serving Sorouh's Sky Tower and Sun Tower developments. Tabreed is responsible for the operation and maintenance of the plants.

Industrial City Cooling Company

Established in 2004, Industrial City Cooling Company (ICCC) is a joint venture owned by Tabreed, Abu Dhabi Investment Company, and Waha Capital. ICCC currently owns and operates two district cooling plants in the Mussaffah area of Abu Dhabi, supplying chilled water to Zonescorp's two developments in the area. Through an 'Operations, Maintenance and Management Services' agreement, Tabreed is responsible for the operation and maintenance of the plants.

Construction

Gulf Energy Systems

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

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

SNC-Lavalin Gulf Contractors LLC

SNC-Lavalin Gulf Contractors LLC (SLGC) is a joint venture between SNC-Lavalin International, one of the leading groups of engineering and construction companies in the world, with its head office in Montreal, Canada and National Central Cooling Co. (Tabreed) of the UAE.

SLGC was established in 2004 to offer specialized services to the district cooling field throughout the GCC countries. It provides engineering, procurement, construction management, commissioning, automation and project management services. SLGC has signed over 35 contracts totaling over 550,000 RT, making it the largest builder of district cooling plants in the region. Capacities range from 10,000 RT to 80,000 RT per plant.

Manufacturing

Emirates Pre-insulated Pipes Industries

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

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

Services

Ian Banham & Associates

Tabreed acquired a 70 per cent interest in Ian Banham & Associates in October 2004. With offices in Abu Dhabi, Dubai, Sharjah, Bahrain and Qatar, the company provides professional, mechanical and electrical engineering services to clients throughout the Gulf Region.

CoolTech

CoolTech specializes in providing a complete range of water quality and mechanical services that enables cooling service companies to maintain the operational efficiency and optimize the longevity of their equipment in a safe and environmentally-friendly manner. CoolTech is the most experienced provider of water treatment services in the region, servicing over 1 million tons of client installed capacity.

CoolTech's offering includes water quality products and services, cooling tower, evaporative condenser and fluid cooler maintenance including inspection, commissioning, installation, supervision, and maintenance. CoolTech also offers tailor-made solutions including design, engineering, supply, installation and commissioning of TSE water polishing plants, grey water recycling plants, cooling tower side stream filtration system, domestic water disinfection system, and standalone reverse osmosis plant.

Dimarco

Established in late 2006, Dimarco is the first company in the UAE to focus on providing metering and billing services for district cooling chilled water usage. Dimarco works with developers to enable remote reading of meters in domestic applications for district cooling, water, gas, and electricity. Tabreed owns 25 per cent of Dimarco. The remaining percentage is owned by Aldar and iCaptial.

2010 in Review

Year in Review: 2010 – Creating a Platform for Growth

2010 was a historic year for Tabreed – the Company delivered resilient performance despite challenging markets to achieve a significant turnaround in profitability. Against a background of difficult economic conditions, we spent the year navigating our recapitalization program while focusing on achieving successes across the Company. Tabreed's management and staff achieved success in three key areas: The recapitalization program progressed substantially in 2010, and later closed in its entirety in April 2011; we delivered strong financial results with significant top line and bottom line growth driven by our core business of chilled water; and we achieved significant operational accomplishments across the business. In all, 2010 was the year that Tabreed created a platform for future growth that will generate significant value for years to come.

Recapitalization Program

Throughout 2010, while the priority was on improving the performance of the core business of chilled water, a considerable amount of the Board and senior management team's focus was on the Company's recapitalization program – completed in its entirety on 1st April 2011.

In March 2010, in conjunction with the 2009 year-end financial results, Tabreed released the results of a comprehensive review of the Company's project portfolio, contracts, business plan, financial performance, liquidity position and overall capital structure. Based on this review, the management team recommended and the Board of Directors approved submitting to Tabreed's shareholders a recapitalization program to achieve a stable long-term financial profile and capital structure.

Tabreed also obtained a short-term financing facility from Mubadala Development Company of AED 1.3 billion in March 2010 to provide funding while Tabreed completed the recapitalization program.

At an Extraordinary General Assembly meeting in May 2010, Tabreed's shareholders approved a series of resolutions presented by the Board of Directors that laid the foundations for the Company's recapitalization program. The approval by shareholders gave the Board of Directors the authority to proceed with the recapitalization program.

December 2010 saw Tabreed completing a major milestone in its recapitalization program – a reduction in the Company's share capital of 970,000,000 shares. The cancellation of shares was on a pro-rata basis at a ratio of 5:1 – in effect a 'reverse share-split' – and applied to all Tabreed shareholders. The cancellation of shares through a capital reduction was a key component of the recapitalization program and was intended to raise Tabreed's share price above AED 1 to raise new equity capital.

The remaining components of the recapitalization program were completed by 1st April 2011 – providing the foundations for future growth. This included:

- Completing the refinancing of AED 2.63 billion via the conversion of the Company's short-term bilateral and syndicated bank debt facilities into a consolidated facility with an extended tenor and lower total cost of borrowing, providing long-term flexibility. The Company was also extended a new AED 150 million revolving credit facility

- Securing up to AED 3.1 billion in new long-term capital commitments from Mubadala Development Company comprising:
  A) AED 1.7 billion Subordinated Mandatory Convertible Notes (the 'Subordinated Notes') to refinance the Company's existing AED 1.7 billion Bridge Financing
  B) Up to AED 1.4 billion Subordinated Convertible Loan Facility, which may be drawn by the Company to satisfy certain liquidity needs, complete its build-out program and pursue near-term growth opportunities

- Amending the terms of the Company's 08 Sukuk that resulted in the annual distribution amount of AED 246.5 million being settled in ordinary shares

Financial Highlights

The Company posted total revenues of AED 1,023.7 million, a 31 per cent increase over 2009 and a 147 per cent increase in net profit to AED 146.3 million, excluding the non-cash impairment declared for 2009. This demonstrates the strength of the underlying business and the strong contribution from the Company's chilled water business. Key financial results were:

- Total revenues increased by 31 per cent to AED 1,023.7 million, compared to AED 783 million in 2009
- Gross profit increased by 53 per cent to AED 426.4 million, compared to AED 278.1 million in 2009
- Net profit, excluding the non-cash impairment declared for 2009, increased by 147 per cent to AED 146.3 million, compared to AED 59.2 million in 2009
- Chilled water revenue was AED 753.3 million, a 73 per cent increase over 2009. Gross profit increased to AED 320.6 million from AED 165.8 million in the year before
- Basic and diluted earnings per share were AED 0.15, compared to AED 1.22 in 2009

On 10th February 2011, at the same time as disclosing 2010 year-end results, the Company also secured an additional AED 400 million in short-term financing from Mubadala Development Company, in the form of an amendment to its AED 1.3 billion bridge loan. This bridge loan provided Tabreed with funding while the Company completed its recapitalization program.

Operational Highlights

The financial performance was underpinned by a number of key operational milestones:

- Thirteen plants and two plant expansions came online in the UAE in 2010, adding 155,800 of gross capacity. This brings Tabreed's gross total installed cooling capacity to 541,525 RT across 49 plants as of 31st December 2010
- Tabreed's core business of chilled water produced revenues of AED 753.3 million, a 73 per cent when compared to AED 435 million in 2009. This performance was driven by new plants and plant expansions coming online
- Tabreed Oman (60 per cent owned) saw its first project commence production in Q3 10 with a capacity of 2,400 RT
- Tabreed Bahrain (90 per cent owned) saw its first plant come online in late 2010, with an installed capacity of 22,800 RT in the Diplomatic Enclave of Bahrain
- Saudi Tabreed (25 per cent owned) was awarded a contract by Saudi Aramco to construct a plant with a capacity of 32,000 RT
- A sharp reduction in capex committed as build-out progresses
- Plant utility efficiencies and tight control of HQ costs to reduce costs/ton of chilled water produced

Mission, Vision Corporate Strategy

Mission

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

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

Vision

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

Corporate Strategy

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

Message from the CEO

Just over a year ago, I reflected on the impact of the global recession on our growing and evolving company and how we had faced difficulties, head-on. The tone of my message then was restrained yet resolute, cautious yet focused. 2009 was about transition, rebuilding, reassessing and re-aligning.

Twelve months later, I reflect once again on the year that focused on laying the groundwork to develop our business for long-term success.

2010 was a very challenging year for the industry but our business model has proved its resilience. Tabreed registered a strong performance, driven by its core focus on our chilled water business that delivered 74 per cent of our revenues, to report a net profit of AED 140.3 million – an increase of 74 per cent over 2009. The main contributor to this was our core chilled water business, which saw sharp increases in revenues and profits throughout the year.

Revenues also reflect additional capacity that came online last year – 13 new plants have come online since the end of 2009 and billed capacity increased to 477,066 RT. We recorded gross profit margins of 43 per cent and profit from operations showed an increase of 230 per cent over that achieved in 2009. As part of our ongoing efforts to improve operating efficiency, we have successfully lowered costs to deliver EBITDA of AED 299 million against AED 137 million in 2009.

Rebuilding for a Solid Future

In the first quarter of 2011, we successfully completed our recapitalization program – a major step forward in rebuilding our capital structure. We are now empowered to grow and meet the requirements of Abu Dhabi's expanding infrastructure, and build the foundations for a robust utility business.

The recapitalization program provided Tabreed with up to AED 3.1 billion of new long-term capital from Mubadala, our major shareholder. We have rolled over AED 2.6 billion in debt and have been provided with an additional AED 150 million revolving credit facility. Underpinning the recapitalization program was our decisive action to reduce costs and improve efficiencies while strengthening the quality of our operations.

Delivering Results

Fiscal discipline and managing the Company's cash flow was a key management objective last year. We kept our fixed costs constant by improving variable cost efficiencies and rigid control over fixed costs. We optimized performance at each plant by implementing structured measures – this included providing more chilled water per unit of electricity, or gallon of water consumed.

We continue to diversify our customer base and focus on maintaining healthy balance sheet positions to capitalize on growth opportunities.

Disciplined Growth

Overall, our business has been growing – a factor we should all be truly proud of, especially at a time when most companies are still recovering from the economic slowdown. We have increased the number of plants that we own, particularly in Abu Dhabi, while expanding our network in various locations to access more customers.

The past year has also demonstrated our focus on governance and discipline. As we continue to expand our business, we are aware of the need for disciplined growth, and we will ensure that all projects we embark on are economically justified for all of our stakeholders.

The Way Forward

We will continue to focus on managing our costs without compromising our long-term growth plans for the Company. Despite the hectic activity last year, we never lost sight of our vision of becoming the leading district cooling company in the world – focused on capacity, technology and operational efficiencies. Our goal is to not just be the largest, but also to be the best in the world – setting industry standards and producing the most energy efficient solutions for our customers.

Delivering successful results in the midst of an economic downturn requires management discipline, commitment and focus, and the cooperation of all Tabreed employees. I place on record my sincere appreciation and heartfelt gratitude to all Tabreed employees for their contribution in 2010; the year would not have been a success without the support and hard work of all our employees.

Going forward, I want us to build on the progress that we have made in the past two years, extract value from our existing business, while growing in a disciplined manner. Discipline will play a key role as we complete our existing build-out and deliver projects on time.

As I look back on the year that was, there are three critical values that underpin our long-term growth and success in the future. These include our focus and determination, discipline and a commitment to exceed our objectives and goals. Growth, after all, is a relentless process.

I remain confident in our strategy and thank all investors who continue to support our efforts.

"2010 was a very challenging year for the industry, but our business model has proved its resilience."

Sujit S. Parhar
Board Member
and Chief Executive Officer

Board of Directors

His Excellency Khadem Al Qubaisi is an Emirati businessman, and a Member of the Board and Managing Director of the International Petroleum Investment Company (IPIC).

Khadem Al Qubaisi attended high school in Abu Dhabi and studied at the University of the United Arab Emirates. He was awarded a Bachelor's Degree in Economics in 1993, and that same year commenced his career with Abu Dhabi Investment Authority (ADIA), eventually achieving the role of Senior Financial Analyst in the North American Equities Department. In 2000, he moved to IPIC as an investment manager, and became Managing Director of IPIC in May 2007.

Khadem Al Qubaisi sits on the board of a number of international, regional and domestic UAE companies.

Specifically, Khadem Al Qubaisi represents IPIC as Vice Chairman of OMV, the Austrian national oil company, and Chairman of NOVA Chemicals, the North American plastics and chemicals group. He is also Chairman of Borealis AG, in which IPIC owns a controlling 64 per cent interest. Borealis owns a 40 per cent stake in Borouge, an Abu Dhabi petrochemicals joint venture, in partnership with ADNOC.

Khadem Al Qubaisi is also Vice Chairman of the Spanish integrated oil and petrochemical company, Companla Espanola de Petroleos (CEPSA), and Chairman of Falcon Private Bank, based in Zurich.

Within Abu Dhabi, Khadem Al Qubaisi is Chairman of Aabar Investments PJS, the multinational investment company and subsidiary of IPIC. Aabar, under the chairmanship of Khadem Al Qubaisi, has made a number of high profile acquisitions in recent years, including stakes in Daimler AG, Tesla Motors, and Virgin Galactic. Aabar recently acquired 100 per cent of Mercedes GP.

Khadem Al Qubaisi is also Chairman of Tabreed; Takaful, a national insurance company established in Abu Dhabi that provides Islamic insurance solutions; and the I-Media newspaper, the UAE's first fully-integrated media company. He is also a board member of the Emirates Investment Authority and the UAE's First Gulf Bank. Within the Gulf Region, Khadem Al Qubaisi chairs Bahrain's First Energy Bank.

As Managing Director of IPIC, Khadem Al Qubaisi has overseen a significant period of growth for the Abu Dhabi-based sovereign wealth fund. In particular, during his tenure as MD, IPIC has acquired stakes in Cosmo Oil Co., Oasis International Power, the Portuguese power company EDP, Aabar, an interest through a convertible bond in Oil Search, 70 per cent of Ferrostaal, and 100 per cent of NOVA Chemicals. IPIC has also recently made a takeover offer for 100 per cent of the shares in CEPSA.

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

As Chairman of Aabar, Khadem Al Qubaisi has been instrumental in securing Abu Dhabi as the host city for the Laureus World Sports Awards, both in 2010 and again in 2011. Laureus is a global sports awards initiative, comprising the Laureus World Sports Academy, the Laureus Sport for Good Foundation and the Laureus World Sports Award. The Sports Awards are an annual award for athletes from around the globe judged by the international media, and supported by Mercedes-Benz, Vodafone and IWC Schaffhausen. Aabar was Host Partner to the Laureus World Sports Award in both years it has been hosted in Abu Dhabi.

Khadem Abdulla Al Qubaisi

Chairman

As Mubadala's Chief Operating Officer, Waleed Al Muhairi oversees the Company's broad investment portfolio and is responsible for its strategic, operational and business development activities.

Waleed Al Muhairi is also a member of Mubadala's Investment Committee, which is mandated to develop Mubadala's investment policies, establish investment guidelines and review all proposed projects and investments to ensure they are in line with Mubadala's business objectives.

In addition to his position as Chief Operating Officer of Mubadala, Waleed Al Muhairi is a member of the Board of Directors of several key Mubadala Group and other operational businesses. He currently serves as Chairman of the Board of Directors of Mubadala Infrastructure Partners, the Advanced Technology Investment Company and Cleveland Clinic Abu Dhabi. He is Vice Chairman of Tabreed and Piaggio Aero Industries and is a Director of AMD, Al Maabar, du, and the Abu Dhabi Future Energy Company (Masdar).

Waleed Al Muhairi was also one of the principal architects behind the Abu Dhabi Economic Vision 2030.

Prior to joining Mubadala, Waleed Al Muhairi worked with the UAE Offsets Program Bureau as a Senior Project Manager. He previously worked with McKinsey & Company as a commercial and governmental consultant.

Waleed Al Muhairi holds a Masters from Harvard University and a Bachelor of Science in Foreign Service from Georgetown University, USA.

Waleed Ahmed Al Mokarrab Al Muhairi

Vice Chairman

Khaled Abdulla Al Qubaisi is Executive Director – Human Resources at Mubadala and occupies the post of Managing Director of Tabreed as well as sitting on its Board. In his role as Tabreed's Managing Director, he is responsible for strengthening and supporting the executive management team of Tabreed, in particular focusing on areas of finance and management.

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

Khaled Al Qubaisi currently sits as Chairman of the National Health Insurance Company (DAMAN) and is a Board Member of Dunia Finance Company, Manazel Real Estate Company, Finance House, Mubadala GE Capital, as well as Tabreed. He has been a member of the Chartered Financial Analyst Institute since 2003.

Khaled Al Qubaisi holds a BA in Finance and Operation Management from Boston University and an MSc from George Washington University in Washington, DC.

Khaled Abdulla Al Qubaisi

Managing Director

Abdul Raouf Al Bitar

Board Member

Abdul Raouf is the CEO and a shareholder in Al Manhal-Nestlé Waters Group of Factories, the largest bottled water producer in Saudi Arabia. He is also the Chairman of Middle East Specialized Cables in Amman, Jordan.

Abdul Raouf Al Bitar also serves as a Board Member in the following groups of companies: ACWA Power Development Company, Al Manhal Water Factory - Qatar and Bahrain, Nestlé Waters H&O - Dubai, UAE; Spring Beverage Factory - Riyadh, KSA; Middle East Molds and Plastic Factory - Riyadh, KSA; Gulf Insulation Group - Riyadh, KSA; Emirates Pre-insulated Pipes Industries - Abu Dhabi, UAE; Multiforms LLC - Dubai, UAE; Al Hassan Ghazi Ibrahim Shaker Company - Riyadh, KSA; LG Shaker Company - Riyadh, KSA; Middle East Specialized Cables (MESC) - Riyadh, KSA; Saudi Tabreed District Cooling Company - Dammam, KSA.

Abdul Raouf Al Bitar holds a Bachelor of Science in Civil Engineering from Syracuse University, New York, USA.

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

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

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

In addition to his board membership of Tabreed, Abdulla Khouri serves on the board of Yas Marina Circuit, Emirates Palace Company, and Media Zone Authority - Abu Dhabi (twofour 54).

Abdulla Khouri began his career by joining the Offset Program Bureau in 1996 where he was also responsible for corporate and organizational communications. He graduated from the European University in Geneva in 1996, with majors in Business Administration and Public & Business Communications.

Abdulla Khouri

Board Member

As the current Managing Director and Board Member of Abu Dhabi Ports Company (ADPC), the master developer and regulator of ports and industrial zones in Abu Dhabi, Ali Al Badi plays a key role in implementing the strategic goals and objectives of the organization. Ali Al Badi also served as Chief Executive Officer of ADPC for more than two years. He provides direction and leadership towards the achievement of the corporate philosophy, vision and goals.

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

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

Ali Saeed Al Badi

Board Member

Ibrahim Al Ansaari was appointed General Manager for Dolphin Energy Limited (UAE) in October 2007. He had previously served as Executive Vice President – Operations since March 2004.

He is responsible for all Dolphin activities within the UAE. Prior to joining Dolphin Energy in October 2003 as Vice President – Projects, Ibrahim Al Ansaari was General Manager of Union Water & Electricity Company (UWEC), now incorporated within ADWEA.

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

He joined the UAE Offsets Group (UOG) in September 2000 as Technical Specialist Advisor before taking up his UWEC appointment in September 2001. He joined Mubadala Development Company in April 2004 as Executive Advisor.

Ibrahim Al Ansaari graduated from the Louisiana Technical University, USA in 1982 with a Bachelor of Science degree in Electrical Engineering. He is currently a Board Member of Emirates Aluminum and Chairman of Mubadala Petroleum Services Company, in addition to being a Board Member of Tabreed.

Ibrahim Ahmed Al Ansaari

Board Member

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

Alongside his vital role at the municipality, since 2006, Al Mazrouei has been actively spearheading the massive expansion in infrastructure and facilities taking place in the emirate's aviation sector as the chairman of Abu Dhabi Airports Company (ADAC).

Under his guidance, ADAC today manages a portfolio of airports and companies supporting the Company's vision of becoming "the world's leading airport group". ADAC group of airport assets include: Abu Dhabi International Airport, Al Ain International Airport, Al Bateen Executive Airport, Sir Bani Yas Island Airport and Delma Island Airport.

Al Mazrouei has led ADAC through a strategy focused on further delivering towards the key initiatives for the aviation and transportation sector as identified by Abu Dhabi Vision 2030. Over the past years, the Company has delivered continuous growth in passenger numbers, while prudently planning and launching major developments and improvements across all airports' infrastructure, facilities and services. In parallel, ADAC provides technical and management services to the highest international standards of safety, security and efficiency.

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

Closely engaged in marketing, due diligence and strategic assessments, operational audits and restructuring plans, Al Mazrouei is involved in many organizations at chairman and board levels. His current role portfolio includes: Chairman of the Abu Dhabi World Trade Centre and Al Jazira Capital and a Board Member of Tourism Development & Investment Company, Presidential Flight, Tabreed, Abu Dhabi Tourism Authority, Abu Dhabi Development Fund, Zones Corp and the Abu Dhabi Council for Economic Development.

Khalifa Mohamed Al Mazrouei

Board Member

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

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

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

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

Sujit S. Parhar

Board Member and Chief Executive Officer

Report of the Board of Directors 2010

2010 - Year in Review

We are pleased to report on the results and activities of National Central Cooling Company PSJC (Tabreed) for the year ending 31st December 2010. While 2009 was an extremely difficult year for Tabreed, we can report that for 2010 the Company made significant progress towards building a brighter future based on the foundations put in place in 2009.

A comprehensive strategic review was undertaken by Tabreed's management team in 2009 – the results of which mandated immediate change for the Company. Results of the review included the need to declare a non-cash impairment charge of AED 1.2 billion for 2009, obtaining AED 1.7 billion short-term financing from Tabreed's major shareholder, Mubadala, discussions with strategic investors, and putting forward a recapitalization program to Tabreed's shareholders which was approved in May 2010.

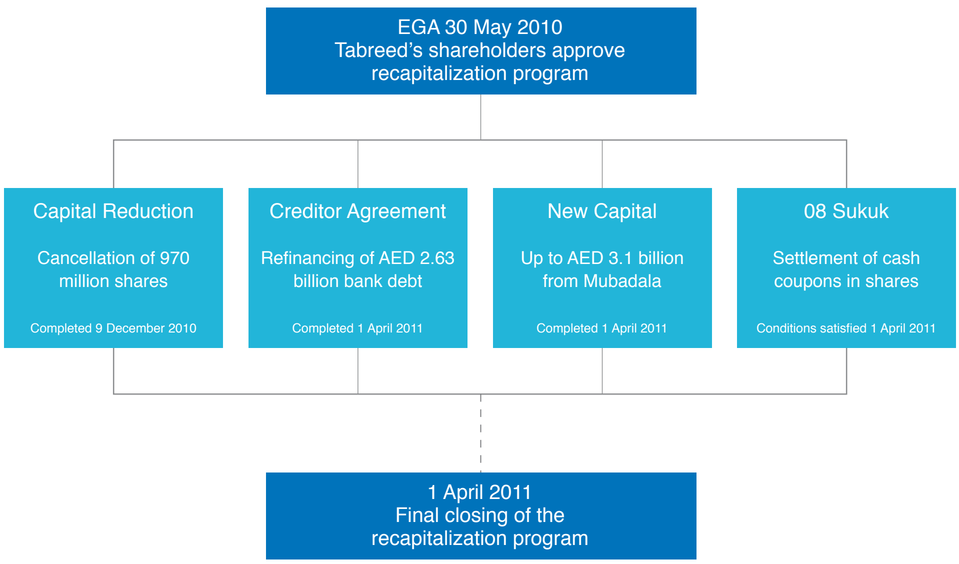
In 2010, Tabreed completed its operational turnaround – the results of which are evidenced by the strong growth in revenues and profits. Total revenues increased over 30 per cent as a result of which Tabreed posted record net profits of AED 137 million in the year. The main contributor was the core chilled water operations, which saw sharp increases in revenues and profits in 2010. The Management team also focused commercial efforts on diversifying the customer base anchored by government-linked entities; as of 31st December 2010 more than 60 per cent of Tabreed's chilled water revenue now comes from non-military customers. For comparison, in 2007 the non-military comprised only 33 per cent of the Company's chilled water revenue.

Recapitalization Program

The recapitalization program, which was completed in its entirety on 1st April 2011, provides Tabreed with up to AED 3.1 billion of new long-term capital from Mubadala, new restructured debt facilities that provide all the necessary funding for the Company's business plan, and secure a stable long-term capital structure. The Board believes this provides a durable platform for future growth.

The key elements of the recapitalization program are described in the chart below.

Recapitalization Program - Key Steps



Recapitalization Program Elements

Capital Reduction

- Cancellation of 970 million shares on 5:1 pro-rata basis, completed in December 2010

Creditor Agreement

- Existing AED 2.63 billion bilateral and syndicated facilities rolled into New Syndicated Credit Facilities
- New AED 150 million revolving credit facility

New Capital

Tabreed has secured up to AED 3.1 billion of new, committed long-term capital from Mubadala:

- AED 1.7 billion Subordinated Mandatory Convertible Notes which were fully subscribed for and issued on 1st April 2011
- Up to AED 1.4 billion Subordinated Loan Facility which is available from closing on 1st April 2011 until the end of 2012 to provide the Company with sufficient liquidity through the end of 2012 by which time the Company is expected to generate substantial free cash flow

08 Sukuk

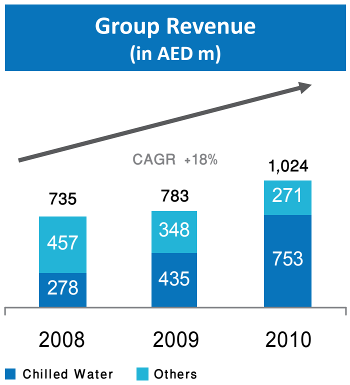
- The May 2010 and May 2011 annual cash distributions (together AED 246.5 million) have been waived by the holders in consideration for payment in Tabreed shares

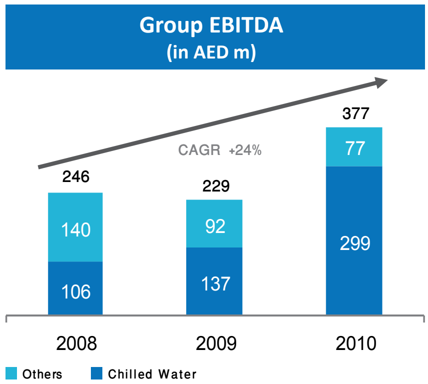
Operational/Financial Highlights

Whilst the recapitalization was underway, good progress has been made on the Company's operational turnaround of the core chilled water business, the key components of which are:

- **Continuing the build-out:** a total of thirteen new plants and two plant expansions came online in 2010, adding 155,800 RT to Tabreed's capacity. As a result, total capacity has increased by 37 per cent to 541,525 RT across 49 plants at the end of 2010. A further 13 plants and 2 expansions are under construction, of which 8 new plants are for the Dubai Metro green line
- **New customer connections:** increased by over 40 per cent to 477,000 RT, driving a sharp increase in revenues. Importantly, this included the sale of 31,000 RT of spare capacity in operational plants. The sale of excess capacity is a key management objective as this provides an effective way of enhancing revenues and returns quickly and at minimal upfront cost
- **Cost Control:** a key management objective has been to introduce a strong cost discipline, through a combination of increasing variable cost efficiencies and maintaining tight control of fixed costs, to ensure total costs per RT remain on a downward trend

The operational turnaround has resulted in a strong growth in revenues and profits over the last 3 years – the chart below shows that total revenues and EBITDA have seen average annual growth rates of 18 per cent and 24 per cent respectively since 2008.





Looking ahead, with the recapitalization program now completed, Tabreed is well-positioned to continue to execute its business plan and create long-term shareholder value. The Company has a stable, long-term capital structure, a fully funded business plan to complete the capacity build-out, a strong and diversified customer base which has delivered growing cash flows, and disciplined capital deployment to capitalize on market opportunities.

District cooling – the core of Tabreed's business - faces incremental growth in demand for the future. A growing understanding of the benefits of district cooling, paired with environmentally-conscious government and end-users, means that district cooling is the choice for efficient and reliable cooling and humidity control. Significant growth in industrial and commercial demand driven by growth in residential units underpins the strategic importance of district cooling in Plan Abu Dhabi 2030. Tabreed is ideally positioned to capitalize upon this future growth of district cooling in Abu Dhabi and through selective growth in the GCC markets.

Dividend

As a result of the Company's 2010 financial results, the Board of Directors does not recommend a dividend distribution for shareholders for the financial year ended 31st December 2010.

Corporate Governance Report for Annual Accounts 2010

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

The Company has been working towards implementing the Corporate Governance and Institutional Code of Conduct to comply with Ministerial Resolution No. 518 (MR-518) of the Emirates Securities and Commodities Authority (SCA).

The Board of Directors

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

An appropriate balance in Board of Director membership has been achieved and is maintained. As of 31st December 2010, the Board consists of nine members, seven of whom are non-executive and six are independent. The members of the Board were chosen for the diversity of their skills and experience and more than a third of the Board is independent. The Board ensures that management has established systems and processes to adhere to laws, regulations, policy, and procedures.

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

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

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

Separation of the Roles of Chairman, CEO and Managing Director

To ensure an appropriate balance of power, increased accountability and capacity of the Board to make independent decisions, the role of the Chairman, Chief Executive Officer and Managing Director are clearly differentiated. The Chairman oversees and leads the Board on behalf of the shareholders, while the CEO and MD implement the key strategies set by the Board.

Remuneration of Board Members

The Board members are remunerated in two ways. Each Board member is paid a set attendance fee for each Board meeting that they attend as allowed under Article 34 of the Tabreed Memorandum and Articles of Association (M&AA). The fee is calculated on the basis of where the Board member travels from, and is designed to reimburse the “out of pocket” expenses for attending Board meetings. In addition to the above, Section 58 of the M&AA also allows the General Assembly to approve a share of profits. In 2010, there was no dividend paid to shareholders and no remuneration paid to the Board members other than the attendance fees noted above.

Board Committees

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

Audit Committee

The Board has set up an effective Audit Committee which complies with MR-518 and met three times in 2010. The committee consists of four non-executive members and all are independent. The committee’s role is outlined in the Board-approved Charter of the Audit Committee and includes the following:

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

The Audit Committee is actively involved in internal control and risk management matters. Significant issues are also escalated to and effectively dealt with by the full Board. When it comes to risk management, the Committee assists the Board in management oversight by providing reasonable assurance that these risks are identified, assessed, managed, and monitored in a timely manner. While the Board sets the tone and establishes the risk appetite level of the Company, the committee assists by reviewing risk strategies and endorsing policies for risk management.

Finance Committee

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

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board in establishing a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees consistent with Tabreed's culture, strategy and environment. This Committee also sets executive remuneration, annual remuneration movements and recommends incentive payments to the full Board. There were performance based incentive payments paid for 2010.

Projects Committee

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

Shareholders Rights

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

The M&AA details various shareholder rights, pertaining to information, voting, participation at meetings, and election of Board Members.

Internal Control

Under Article 8 of MR-518, Tabreed's internal control function has been established by the Board to provide 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 the functions and duties conferred and imposed on them. The internal control function's roles and responsibilities are governed by a formal charter. This charter outlines the mechanism under which the internal control function works and contributes towards fulfilling Tabreed's goals and objectives. The internal control function reports to the Board of Directors and works under the stewardship of the Audit Committee. This enables internal control to function in an independent and objective manner. The BOD also ensures that an internal control review is conducted by the Internal Control function each year.

External Auditor

On the recommendation of the Audit Committee, the Board has appointed Ernst & Young as Tabreed's external auditor at the 2010 Annual General Assembly. The Board ensures that the external auditor remains independent from the Company. The external auditor has broad powers to provide reports to the general assembly and to regulatory bodies.

Ernst & Young's scope of audit for the 2010 financial year as outlined in their engagement plan was:

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

Delegation to Management

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

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

Code of Conduct

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

Milestones

13 Years in Review: A Story of Steady Growth

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

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

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

1998

- Tabreed is established in June with offices in Abu Dhabi and Dubai

1999

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

2000

- Signs a Master agreement with GHQ
- Tabreed's Ras Al Khaimah plant room is commissioned to serve Al Manar Mall and other commercial and residential clients

2001

- 20-year contract with Al Ain Municipality is awarded
- Supplies chilled water to Al Ain new Vegetable and Fish Market

2002

- Noor al Maarif School, the UAE's first school to use Tabreed's district cooling services
- Fujairah Water and Power Plant, the first in the UAE to harness the naturally abundant resources of seawater to keep the plant at a regulated temperature

2003

- Obtains three ISO certifications for the production and supply of chilled water for district cooling in the region
- Completes two district cooling schemes at Abu Dhabi's Zayed Military City development
- Signs with UDC and launches Qatar Cool, Tabreed's first JV in the GCC

2004

- First dividend for shareholders is announced: 3 per cent on the AED 10 per share price
- 20-year contract with Ras Al Khaimah Free Trade Zone (RAK FTZ); links services to RAK FTZ's own district scheme to serve the free zone offices
- Garners two most coveted gold awards from International District Energy Association (IDEA) – most total square footage, and most total building committed
- Signs with Esterad and AA Bin Hindi in Bahrain to launch Tabreed Bahrain

2005

- Partners with ALDAR Properties to deliver services to all future projects
- Expands operations in Ajman through our contract with Real East Investment Corporation's Al Rashidiya Towers
- Signs with Dubai Metro to supply cooling to the entire project
- Record-breaking annual net profit of 62 per cent increase over 2004, posting revenues of AED 400.9 million
- Increases Rights Issue Capital from AED 500 million to AED 1 billion
- Share split from AED 10 nominal to AED 1 nominal

2006

- Signs with Saudi Arabia's A. Abunayyan Group to launch Saudi Tabreed
- Signs a 50-50 joint venture with Abdali Investment and Development PSC and opens Jordan District Energy PSC (Tabreed Jordan)
- Establishes offices in Oman and launches Tabreed Oman
- Tabreed Bahrain begins working on the kingdom's first district cooling network
- Wins IDEA's two gold awards for the second time – most total square footage, and most total building committed

2007

- Wins IDEA's Global Partner and two gold awards due to a load of 473 buildings covering a total of 13.9 million square feet
- Wins the Middle East Insurance Forum's Innovation Award for Tabreed Captive Insurance Company with our collaborative venture with Ensurion, a Bahrain-based captive insurance management specialist
- The only utility company to receive an award from the Sheikh Khalifa Excellence Award

2008

- Shareholders elect new Board of Directors and name Khadem Abdulla Al Qubaisi as the new Chairman during the Annual General Meeting
- Approves a proposal to distribute bonus shares worth AED 79.38 million, accounting for 7 per cent of the capital against the Company's results for 2007

2009

- Appoints new Managing Director – Khaled Al Qubaisi
- Appoints new CEO – Sujit S. Parhar
- Appoints new CFO – Steve Ridlington
- Tabreed's Qatar subsidiary, Qatar Cool, serves the first villa in The Pearl of Qatar, the world's largest district cooling scheme, supplied by one single plant of 130,000 RT
- Dubai Metro project is launched on 9th September 2009
- Inaugurates the Yas Island plant; provides district cooling to Yas Marina Circuit for the 1st F1 Grand Prix

2010

- Delivers 13 new plants and two plant expansions – adding 155,800 RT of capacity – bringing Tabreed's UAE gross installed capacity to 541,525 RT across 49 plants
- Starts the development of cooling infrastructure for the Dubai Metro Green Line
- Tabreed Oman delivers its first production of chilled water in Q3
- Tabreed Bahrain's first plant with an installed capacity of 22,800 RT comes online at the end of 2010
- Saudi Tabreed is awarded a $ 480 million-contract to construct a plant with capacity of 32,000 RT in conjunction with Saudi Aramco
- UAE Armed Forces awards contract for two 5,000 RT plants
- Shareholders approve plans to recapitalize and revitalize the Company via Extraordinary General Assembly
- Secures AED 1.3 billion in funding from Mubadala
- Signs agreement in principle with all of Tabreed's bank lenders to restructure the AED 2.63 billion of debt
- Completes a capital reduction of 970 million shares in December

Investor Relations

Aligned. Transparent. Accountable.

We are focused on developing the business for the longer term, and our successful business model relies on driving growth and value for our shareholders. We are committed to maintaining an ongoing dialogue with our investors and the financial community and providing accurate and relevant information about the Company's performance.

We engage with our stakeholders using multiple communications platforms including quarterly, half-yearly and full year conference calls, and regular meetings and conversations with financial analysts and investors. We also organize site visits and facility tours to help investors gain better insight into the group's operations.

Tabreed's Investor Relations Department organizes presentations for analysts, institutional investors and retail investors, which can be viewed on the Company's corporate web site. The corporate web site, www.tabreed.com, provides all information which is required to be published.

As of 31st December 2010, Tabreed had 23,947 shareholders. Tabreed shares closed at AED 1.67 on 31st December 2010, registering a 59 per cent fall on the closing share price of AED 4.05 (adjusted for capital reduction) on 31st December 2009.

Shareholder Information

Tabreed shareholding

Shareholders holding more than 5% of Tabreed shares as of 31st December 2010 are:

- Mubadala Development Company - 10.87%
- General Pension & Social Security Authority - 7.38%
- General Investments FZE - 5.92%

Ownership Limits

- UAE Nationals - 100%
- GCC Nationals - 100%
- Arab Nationals - 49%
- Foreign Ownership - 49%

Based on share registers maintained by the Dubai Financial Market as of 31st December 2010:

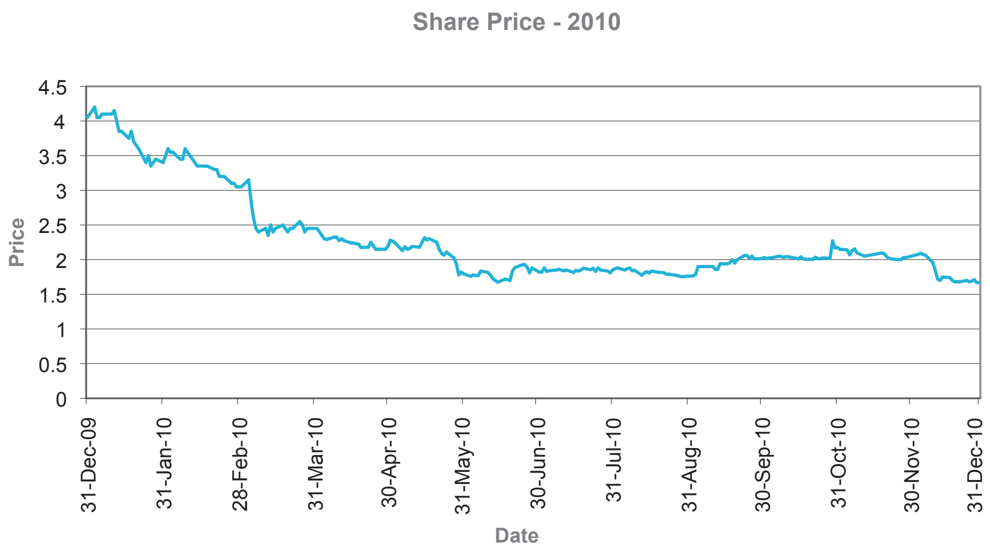
- UAE Nationals held 69.38%
- GCC Nationals held 6.16%
- Arab Nationals held 13.70%
- Foreign ownership level was 10.76%

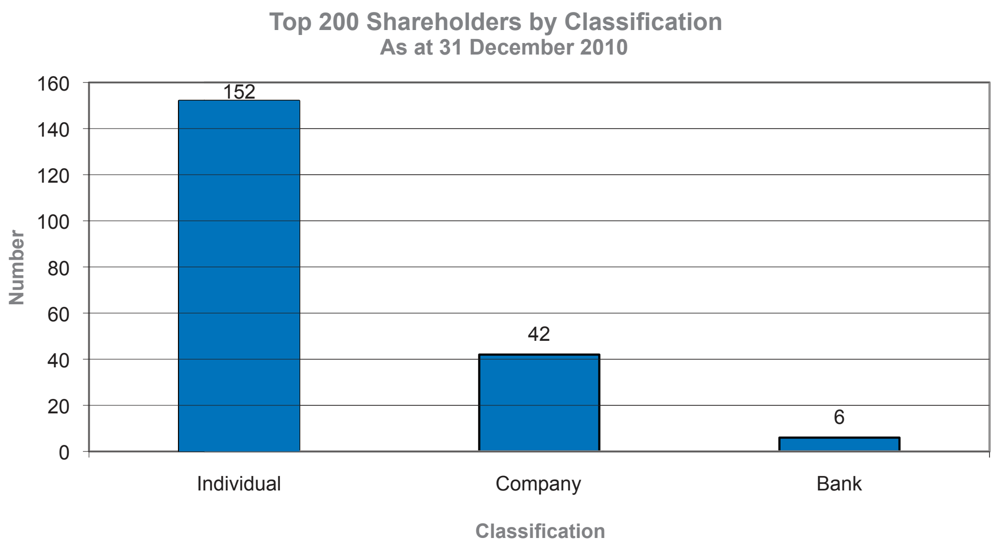
Share Cancellation

As part of the Company's recapitalization program, and as approved by shareholders at the EGM on 30th May 2010, a capital reduction in the ratio 4.988537:1 came into effect on Sunday, 12th December 2010.

This resulted in the cancellation of 970,000,000 (970 million) shares and reduced the total issued share capital from 1,213,380,000 to 243,380,000 shares.

The capital reduction was conducted on a pro-rata and equal basis among shareholders with the percentage holding of each shareholder remaining unchanged, subject to only minor adjustments as fractional shares were not issued. This was undertaken to raise the share trading price above AED 1, and to facilitate the Company's objective of raising new capital.





Individual: 152

Company: 42

Bank: 6

UAE: 141

Saudi Arabia: 17

India: 9

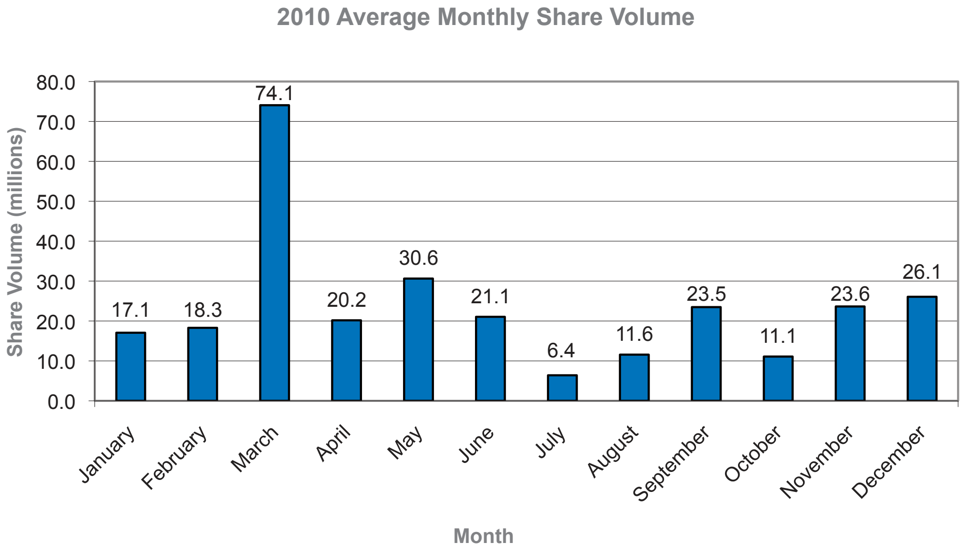
Jordan: 8

USA: 4

UK: 3

Other*: 18

*Other comprises 12 nationalities



2010 Average Monthly Share Volume

Month	Share Volume (million)
January	17.1
February	18.3
March	74.1
April	20.2
May	30.6
June	21.1
July	6.4
August	11.6
September	23.5
October	11.1
November	23.6
December	26.1

Listing

Tabreed ordinary shares are listed on the Dubai Financial Market. The Company is a member of the DFM General Index and is the only listed utility company. In 2010, 283.5 million shares were traded (2009: 873.3 million).

Codes:
ISIN - AEN000501017
Sedol - 6388379 AE

The Company has an additional two listings in the UK:

Tabreed 06 Financing Corp

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

Tabreed 08 Financing Corp

ISIN Code	XS0359799136
Sedol	B2RHM56
Maturity Date	19th May 2011
Currency	AED
Country	KY
Amount Issued	AED 1.7 billion
Market Listed	LSE

Shareholder enquiries

All enquiries concerning shareholdings, including dividend payments, should be made to the Company's registrar, National Bank of Abu Dhabi, whose contact details are as:

Securities & Funds Administration Services Department
National Bank of Abu Dhabi
P.O. Box 6865
Abu Dhabi - U.A.E.
Telephone: +971 2 616 1800
Fax: +971 2 639 6851

For notification of change of address and other queries, please contact Dubai Financial Market on:

Clearing, Settlement and Depositary Division (CSD)
Dubai Financial Market
P.O. Box 9700
Dubai - U.A.E.
Telephone: +971 4 305 5555 (from main menu, please choose option 4 - Customer Service)
Fax: +971 4 305 5191 / +971 4 305 5566
Email: helpdesk@dfm.ae or csd@dfm.ae

Tabreed Shareholders Department
For frozen share certificates and loss of share certificates, please contact our shareholders department on:
Tel: +971 2 645 5007 (Ext. 444)
Email: tabreedshareholders@tabreed.com

If you have questions or comments about investor relations matters, please contact us:

Mailing address
Tabreed Investor Relations
Abu Dhabi Mall, West Tower, 13th Floor
P.O. Box 29478
Abu Dhabi, U.A.E.
Telephone: +971 2 645 5007
Fax: +971 2 645 5008
Email: tabreedshareholders@tabreed.com
Web site: www.tabreed.com

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 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

INDEPENDANT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL CENTRAL COOLING COMPANY PJSC

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 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicate that as of 31 December 2010, the Group's current liabilities exceeded its current assets by AED 5.2 billion and its accumulated losses of AED 1 billion amounted to 413 per cent of its share capital. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis as the management supported by the Board of Directors are confident on the positive outcome of the mitigating factors as outlined in Note 2.1 of the consolidated financial statements. In particular, we note as of the date of approval of the consolidated financial statements of the Company, all the major existing lenders of the Group have unanimously approved the principal terms of an agreement to refinance AED 2.6 billion of existing liabilities and the Group announced it has reached an agreement-in-principle with a shareholder to provide up to AED 3.1 billion in new long-term capital.

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.

ERNST & YOUNG

Signed by Mohammad Mobin Khan
Partner
Ernst & Young — 23 March 2011
Registration No. 532 — Abu Dhabi

National Central Cooling Company PJSC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Notes	2010 AED '000	2009 AED '000 Restated
Revenue	3 & 4	1,023,734	782,898
Operating costs	6.1 & 4	(597,361)	(504,788)
GROSS PROFIT		426,373	278,110
Administrative and other expenses	6.2	(157,696)	(139,815)
Other income		5,616	4,589
PROFIT FROM OPERATIONS	6	274,293	142,884
Provision for doubtful debts	18 & 34	(2,730)	(46,644)
Impairment of property, plant and equipment and capital work in progress	7	-	(1,235,895)
Impairment of investment in an associate, available for sale investments and goodwill	12, 14 & 19	-	(12,535)
Finance costs	5	(195,751)	(107,567)
Interest income		4,408	4,158
Changes in fair value of derivative liability	29	25,300	(16,180)
Changes in fair value and loss on sale of investments carried at fair value through income statement, net		-	1,246
Share of results of associates	12	42,453	29,794
Share of results of joint ventures	13	(1,685)	4,850
PROFIT(LOSS) FOR THE YEAR		146,288	(1,235,889)
Attributable to:			
Ordinary equity holders of the parent		136,823	(1,118,499)
Non-controlling interests		9,465	(117,390)
		146,288	(1,235,889)
Basic and diluted earnings (loss) per share attributable to ordinary equity holders of the parent (AED)	8	0.36	(2.97)

The attached notes 1 to 40 form part of these consolidated financial statements.

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	2010 AED '000	2009 AED '000
PROFIT (LOSS) FOR THE YEAR		146,288	(1,235,889)
Other comprehensive income			
Changes in fair value of derivatives in cash flow hedges	25	11,795	10,863
Share of changes in fair value of derivatives of associate in cash flow hedges	12 & 25	(3,836)	9,378
Changes in fair value of available for sale investments		(1,532)	9,448
Impairment loss on available for sale investment recognised in consolidated income statement	19 & 25	-	4,797
Exchange differences arising on translation of overseas operations		(1,618)	(28)
Other comprehensive income for the year		4,809	34,458
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		151,097	(1,201,431)
Attributable to:			
Ordinary equity holders of the parent		141,632	(1,084,041)
Non-controlling interests		9,465	(117,390)
		151,097	(1,201,431)

The attached notes 1 to 40 form part of these consolidated financial statements.

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 AED '000	2009 AED '000 Restated
ASSETS			
Non-current assets			
Capital work in progress	10	932,045	1,638,765
Property, plant and equipment	11	4,401,521	3,310,103
Intangible assets	14	37,598	37,600
Investments in associates	12	298,041	239,655
Investments in joint ventures	13	3,142	70,432
Available for sale investments	19	-	68,421
Loans to associate and joint venture	16 & 34	72,207	77,628
Finance lease receivables	17	1,194,607	1,135,762
		6,939,161	6,578,366
Current assets			
Inventories		35,796	36,307
Accounts receivable and prepayments	18	723,894	542,225
Loan to an associate	16 & 34	9,781	9,781
Finance lease receivables	17	81,888	33,862
Contract work in progress	20	40,704	21,392
Cash and short term deposits	21	361,815	304,589
		1,253,878	948,156
Assets classified as held for sale	22	-	33,800
TOTAL ASSETS		8,193,039	7,560,322
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	23	243,380	1,213,380
Treasury shares	24	(2,016)	(10,050)
Statutory reserve	25	61,115	47,433
Accumulated losses		(1,004,808)	(1,045,766)
Foreign currency translation reserve		(2,310)	(692)
Cumulative changes in fair value of derivatives and available for sale investments	25	(71,276)	(77,703)
Mandatory convertible bond – equity component	29	1,301,679	1,301,679
Capital reduction reserve	26	961,966	-
		1,487,730	1,428,281
Non - controlling interests		94,505	18,385
Total equity		1,582,235	1,446,666
Non-current liabilities			
Accounts payable and accruals	32	65,624	76,608
Obligations under finance lease	30	34,403	38,004
Mandatory convertible bond – liability component	29	-	160,847
Employees' end of service benefits	31	14,971	13,923
		114,998	289,382
Current liabilities			
Bank overdraft	21	53,717	52,007
Accounts payable and accruals	32	1,045,696	1,742,256
Advances	33	400,000	400,000
Interest bearing loans and borrowings	27	2,406,091	1,174,444
Islamic financing arrangements	28	2,320,683	2,330,327
Mandatory convertible bond – liability component	29	262,255	117,876
Obligations under finance lease	30	7,364	7,364
		6,495,806	5,824,274
Total liabilities		6,610,804	6,113,656
TOTAL EQUITY AND LIABILITIES		8,193,039	7,560,322

Khadem Abdulla Al Qubaisi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 40 form part of these consolidated financial statements.

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

Attributable to equity holders of the parent

	Issued capital AED '000	*Treasury shares* AED '000	*Statutory reserve* AED '000	*Accumulated Losses* AED '000
Balance at 1 January 2009	1,213,380	(10,050)	47,433	72,733
Loss for the year	-	-	-	(1,118,499)
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive loss for the year	-	-	-	(1,118,499)
Dividend paid to non-controlling interests	-	-	-	-
Balance at 31 December 2009	1,213,380	(10,050)	47,433	(1,045,766)
Profit for the year	-	-	-	136,823
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	136,823
Transfer to statutory reserve	-	-	13,682	(13,682)
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary (note 9)	-	-	-	(82,183)
Reduction in share capital (note 26)	(970,000)	8,034	-	-
Dividend paid to non-controlling interests	-	-	-	-
Balance at 31 December 2010	243,380	(2,016)	61,115	(1,004,808)

The attached notes 1 to 40 form part of these consolidated financial statements.

Foreign currency translation reserve AED '000	*Cumulative changes in fair value of derivatives and available for sale investments* AED '000	*Mandatory convertible bond - equity component* AED '000	*Capital reduction reserve* AED '000	*Total* AED '000	*Non-controlling interests* AED '000	*Total* equity AED '000
(664)	(112,189)	1,301,679	-	2,512,322	161,766	2,674,088
-	-	-	-	(1,118,499)	(117,390)	(1,235,889)
(28)	34,486	-	-	34,458	-	34,458
(28)	34,486	-	-	(1,084,041)	(117,390)	(1,201,431)
-	-	-	-	-	(25,991)	(25,991)
(692)	(77,703)	1,301,679	-	1,428,281	18,385	1,446,666
-	-	-	-	136,823	9,465	146,288
(1,618)	6,427	-	-	4,809	-	4,809
(1,618)	6,427	-	-	141,632	9,465	151,097
-	-	-	-	-	-	-
-	-	-	-	(82,183)	82,183	-
-	-	-	961,966	-	-	-
-	-	-	-	-	(15,528)	(15,528)
(2,310)	(71,276)	1,301,679	961,966	1,487,730	94,505	1,582,235

	Notes	2010 AED '000	2009 AED '000 Restated
OPERATING ACTIVITIES			
Profit (loss) for the year		146,288	(1,235,889)
Non-cash adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation of property, plant and equipment	11	102,208	87,236
Amortisation of trademarks	14	2	3
Impairment of property plant and equipment and capital work in progress	7	-	1,235,895
Impairment of goodwill	14	-	1,275
Impairment of investment in an associate	12	-	6,463
Impairment of available for sale investment	19	-	4,797
Finance income relating to finance lease receivable	17	(67,070)	-
Share of results of associates	12	(40,074)	(27,208)
Share of results of joint ventures	13	1,685	(4,850)
Net movement in employees' end of service benefits	31	1,048	(1,492)
Interest income		(4,408)	(4,158)
Finance costs	5	195,751	107,567
Loss on disposal of financial assets carried at fair value through income statement		-	79
Changes in fair value relating to financial assets carried at fair value through income statement		-	(1,325)
Changes in fair value of derivative liability	29	(25,300)	16,180
Gain on disposal of property, plant and equipment		-	(1,854)
		310,130	182,719
Working capital adjustments:			
Inventories		511	41,031
Trade and other receivables and prepayments		(84,488)	(86,451)
Contract work in progress		(19,312)	186,172
Accounts payable and accruals		23,900	14,282
Finance lease receivables		38,681	-
Net cash flows from operating activities		269,422	337,753
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	(7,542)	(7,552)
Proceeds from sale of property, plant and equipment		-	2,288
Investments in associates	12	(22,148)	(100)
Investments in joint venture		-	(2,500)
Loan to joint venture		-	(56,544)
Purchase of intangible assets	14	-	(316)
Proceeds on disposal of financial assets carried at fair value through income statement		-	60,086
Advances received	33	-	400,000
Additions to capital work in progress		(1,238,726)	(1,604,168)
Investment in bank deposits		-	226,788
Proceeds from disposal of available for sale investments, net		35,342	-
Repayment of loan by associate		5,421	11,164
Interest received		4,408	4,158
Net cash flows used in investing activities		(1,223,245)	(966,696)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		1,261,919	942,956
Interest bearing loans and borrowings repaid		(9,086)	(101,173)
Islamic financing arrangement repaid		(20,000)	(405,845)
Islamic financing arrangement received		-	668,000
Transaction costs on interest bearing loans and borrowings		-	(17,388)
Transaction costs on Islamic financing arrangements		-	(13,029)
Coupon payment of convertible bond	29	-	(123,250)
Payment for obligations under finance lease		(3,601)	(3,268)
Interest paid		(204,365)	(174,299)
Dividends paid to non-controlling interests		(15,528)	(25,991)
Net cash flows from financing activities		(15,528)	746,713
INCREASE IN CASH AND CASH EQUIVALENTS		55,516	117,770
Cash and cash equivalents at 1 January		252,582	134,812
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	308,098	252,582

The attached notes 1 to 40 form part of these consolidated financial statements.

1. ACTIVITIES

National Central Cooling Company PJSC ("Tabreed" or "the Company") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Commercial Companies Law No. 8 of 1984 (as amended) and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries ("the Group") are described in note 4 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 23 March 2011.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

As of 31 December 2010, the Group's current liabilities exceeded its current assets by AED 5.2 billion and its accumulated losses of AED 1 billion amounted to 413 per cent of its issued share capital.

The excess of current liabilities over current assets includes the impact of reclassification of interest bearing loans and borrowings and Islamic financing arrangements amounting to AED 1.3 billion (net of prepaid finance costs) which were due more than one year from the balance sheet date based on their respective original maturity profile but have been reclassified to current liability in the consolidated statement of financial position as at 31 December 2010. The reclassification has been made in accordance with the requirement of International Accounting Standard No.1 requiring an entity which breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability is capable of being payable on demand, to reclassify such liability as current. As at 31 December 2010, the Company had breaches in relation to its debt obligations. A breach in one debt obligation resulted in cross default provisions in other debt obligations being triggered, such that the entire debt obligations of the Group is capable of being payable on demand.

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

1. As of the date of approval of the consolidated financial statements of the Company, no lender has requested accelerated repayment of its loans and borrowings. All the major existing lenders of the Group have unanimously approved the principal terms of an agreement to refinance AED 2.6 billion of existing liabilities and to extend a new AED 150 million revolving facility to the Group. The agreement is expected to be formally approved once the re-capitalisation programme completes.

2. As a result of the unanimous approval in (1), the Group secured an additional short term financing from Mubadala Development Company PJSC, amounting to AED 400 million in the form of an amendment to the AED existing 1.3 billion bridge loan facility provided to the Company during the year ended 31 December 2009. This bridge loan will provide the Group with funding till the Group completes its recapitalisation program.

3. On 2 March 2011 the Group announced it has reached an agreement-in-principle with Mubadala Development Company PJSC to provide up to AED 3.1 billion in new long-term capital, which once the capitalisation completes will ensure the company has the long term capital structure required to transform the business and realise disciplined growth. AED 1.7 billion of this will repay the short term financing in (2) and a further up to AED 1.4 billion will be available to fund the business through the end of 2012.

4. Expected profitability and operating cash flows in the year ending 31 December 2011, together with the short term loan in (2) and the additional capital injection in (3) above, is expected to cover funding shortfall relating to anticipated operating and capital expenditure and finance costs up to 31 December 2011; and

2.1 FUNDAMENTAL ACCOUNTING CONCEPT continued

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

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

- Approving the continuation of the Company pursuant to Article (285) of the UAE Commercial Companies Law;
- Granting the Board full authority to implement cancellation of up to 970 million ordinary shares of the Company of AED 1 each on a pro rata basis (note 26);
- Granting the Board full authority to issue, or guarantee, up to AED 4.2 billion of bonds or sukuk;
- Granting the Board full authority to enter into negotiations with creditors of the Company and the holders of the 2006 Sukuk and/or the 2008 Sukuk to revise terms and conditions;
- Granting the Board full authority to increase the Company's share capital.

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

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

2.2 BASIS OF PREPARATION

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

Statement of compliance

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

Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

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

Non-controlling interests principally represent the interest in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the Company shareholders' equity. The Group's accounting policy for acquisition of non-controlling interests is using 'entity concept method'. Under this method, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid are recognised directly in equity (in accumulated losses) and attributed to the owners of the parent.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

As a result of a voluntary change in accounting policy for accounting treatment relating to joint ventures from proportionate consolidation to equity accounting method, the following adjustments were made to the comparative numbers for the year ended 31 December 2009:

	2009 As previously Reported (Note 1) AED '000	*Effect of change in accounting policy AED '000*	*2009 As restated AED '000*
Consolidated income statement			
Revenues	818,704	(35,806)	782,898
Operating cost	535,297	(30,509)	504,788
Administrative and other expenses	140,280	(465)	139,815
Interest income	4,176	(18)	4,158
Share of results of joint ventures	-	4,850	4,850
Consolidated statement of financial position			
Capital work in progress	1,824,867	(186,102)	1,638,765
Investment in joint ventures	-	70,432	70,432
Trade receivables and prepayments	586,449	(44,224)	542,225
Contract work in progress	30,813	(9,421)	21,392
Cash and short term deposits	343,954	(39,365)	304,589
Employees' end of service benefits	16,116	(2,193)	13,923
Accounts payable and accruals	1,892,972	(150,716)	1,742,256

The above change in accounting policy did not have an effect on the reported loss for the year ended 31 December 2009 and therefore did not impact the earnings per share.

The statement of financial position as of 1 January 2009 has not been presented, since management believes that it is not practicable to obtain the information.

Note 1: Adjusted for reclassifications (Note 40)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised*) and IAS 27 *Consolidated and Separate Financial Statements (Amended*) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The amendments to IFRS 3 and IAS 27 did not have an impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Issued in May 2008

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

Issued in April 2009

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

- IFRS 8 *Operating Segments:* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The amendment is applied prospectively and has no impact on the financial position or financial performance of the Group.

- IAS 7 *Statement of Cash Flows:* States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will have no impact on the financial position or financial performance of the Group.

- IAS 36 *Impairment of Assets:* The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Classification of financial instruments

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

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

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 or the arrangement conveys a right to use the asset.

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

Impairment of non financial assets – Indicators of impairment

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

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 judgment is required in establishing fair values. The judgments 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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the asset compared to full utilisation capabilities of the asset and physical wear and tear. Management reviews the residual value and useful lives annually.

During the year, the estimated useful life of buildings was revised from 30 years to 50 years as a result of review of their useful life carried out by an independent consultant. The change in useful life estimate has been applied prospectively with effect from 1 January 2010. The financial impact of the change in the estimated useful life of the buildings is a reduction in the depreciation charge of AED 11 million for the year ended 31 December 2010, which has been reflected in the profit for the year.

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:

	2010 *AED '000*	*2009* *AED '000*
Capital work in progress	932,045	1,638,765
Property, plant and equipment	4,401,521	3,310,103
Intangible assets	37,598	37,600

An impairment loss of AED nil (2009: AED 127.7 million) relating to property plant and equipment, AED nil (2009: AED 1,108 million) relating to capital work in progress and AED nil (2009: AED 1.3 million) relating to goodwill is recognised in the consolidated income statement for the year.

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

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

At the reporting date, gross trade accounts receivable, amounts due from related parties and finance lease receivable were AED 597.4 million (2009: AED 484 million), AED 92.4 million (2009: AED 60.7 million) and AED 1,276 million (2009: AED 1,170 million) respectively and impairment loss recognised in the consolidated income statement for the year ended 31 December 2010 was AED 2.7 million (2009: AED 34.8 million), AED nil (2009: AED 11.8 million) and AED nil (2009: nil) respectively.

Impairment of inventories

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

At the reporting date, gross inventory was AED 36.1 million (2009: AED 36.3 million). Provision of AED 0.3 million has been made for obsolete inventories during the year ended 31 December 2010 (2009: 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.

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

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

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

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

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

Provisions relating to contracts
The Group reviews all its contracts 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. The Group is carrying a provision in respect of a contract amounting to AED 23 million.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. For 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 recognized.

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

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

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

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

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.

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 recognized as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation
The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet reporting date.

All differences are taken to the consolidated income statement with the exception of all monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in the statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

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

ii) Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the balance sheet reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

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

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

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.

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 (2009: 30 years)
Distribution assets	over 50 years
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

Estimated useful lives of the buildings have been revised during the year (note 2.4)
The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

The Group performs regular major overhaul of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated income statement in the year the asset is derecognised.

Investments in associates

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

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

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

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

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

Intangible assets

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

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

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

Investments in joint ventures

The Company has investments in joint ventures which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities. The Company carries interests in joint ventures in the consolidated statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the joint ventures, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its joint ventures.

Where there has been a change recognized directly in the equity of the joint venture, the Company recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income. Profits and losses resulting from transactions between the Company and the joint ventures are eliminated to the extent of the interest in the joint ventures. Losses on transaction are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The financial statements of the joint ventures are prepared for the same reporting period as the parent company. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments in joint ventures continued

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

Assets held for sale

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Goodwill

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

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 December.

Investment and other financial assets

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

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement.

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

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Impairment and non collectibility of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises a liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

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

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

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

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

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

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

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

Capital reduction reserve

As a result of the Capital Reduction a new reserve (the Capital Reduction Reserve) was created and the utilisation of the Capital Reduction Reserve will be determined by the Board of Directors.

Accounts payable and accruals

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

Provisions

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

Interest bearing loans & borrowings and Islamic financing arrangements

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

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

Mandatory convertible bond

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

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

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

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

Leases

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

Group as lessee

Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement.

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

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

Group as lessor – Finance leases

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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

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

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

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

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability; or
- fair value hedges when hedging the exposure to changes in the fair value of an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows or fair values, as applicable, attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or fair values, as applicable, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

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

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated income statement. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise loan to an associate and a joint venture, receivables, finance lease receivables, cash and short term deposits. Financial liabilities comprise payables, bank overdraft, loans, liability component of convertible bond and finance leases.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 38.

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

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. The amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group has concluded that the Amendment will not have any significant impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have no effect on the classification and measurement of the Group's financial assets.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group unless the Group enters into any agreement in the future with its creditors which results in the extinguishment of a liability through issue of the Company's ordinary shares.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IAS 1: Presentation of Financial Statements
- IFRS 7: Financial Instruments: Disclosures
- IAS 27: Consolidated and Separate Financial Statements

The Group expects no significant impact from the adoption of the Standards, interpretations, amendments on its financial position or performance.

3. REVENUE

	2010 AED '000	2009 AED '000 Restated
Supply of chilled water	485,675	296,944
Finance lease income (note 17)	67,070	-
Operating lease income	200,400	137,692
Contracting revenue	123,878	138,051
Manufacturing revenue	83,194	141,652
Services	63,517	68,559
	1,023,734	782,898

4. OPERATING SEGMENTS

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

- The 'chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'contracting' segment is involved in construction of air conditioning chilled water central plants and networks for new or existing buildings.
- The 'manufacturing' segment is engaged in production of pre-insulated piping systems for chilled and hot water, gas and other energy related applications and provision of pipe protection services.
- The 'services' segment is involved in design and supervision of electrical, mechanical coding and sanitary engineering works.

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

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

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Eliminations AED'000	Total AED'000
Year ended 31 December 2010:						
Revenue						
External revenue	753,145	123,878	83,194	63,517	-	1,023,734
Inter–segment revenue	150	8,401	12,658	12,796	(34,005)	-
Total revenue	753,295	132,279	95,852	76,313	(34,005)	1,023,734
Operating costs	(432,672)	(101,200)	(67,672)	(27,888)	32,071	(597,361)
Gross profit	320,623	31,079	28,180	48,425	(1,934)	426,373
Results						
Segment results	206,261	24,877	18,546	27,042	(2,433)	274,293
Provision for doubtful debts	-	(85)	(21)	(2,624)	-	(2,730)
Finance costs	-	-	-	-	-	(195,751)
Changes in fair value of derivative liability	-	-	-	-	-	25,300
Interest income	-	-	-	-	-	4,408
Share of results of associates	42,453	-	-	-	-	42,453
Share of results of joint ventures	(1,685)	-	-	-	-	(1,685)
Profit for the year						146,288
Year ended 31 December 2009:						
Revenue						
External revenue (restated)	434,636	138,051	141,652	68,559	-	782,898
Inter–segment revenue	325	40,107	3,627	15,110	(59,169)	-
Total revenue	434,961	178,158	145,279	83,669	(59,169)	782,898
Operating costs	(269,161)	(155,038)	(99,799)	(32,113)	51,323	(504,788)
Gross profit	165,800	23,120	45,480	51,556	(7,846)	278,110
Results						
Segment results	62,511	20,071	37,730	28,327	(5,755)	142,884
Provision for doubtful debts	(30,028)	(122)	-	(16,494)	-	(46,644)
Impairment of property plant and equipment	(127,675)	-	-	-	-	(127,675)
Impairment of capital work in progress	(1,108,220)	-	-	-	-	(1,108,220)
Finance costs	-	-	-	-	-	(107,567)
Impairment of investment in an associate	(6,463)	-	-	-	-	(6,463)
Impairment of available for sale investment	-	-	-	-	-	(4,797)
Impairment of goodwill	(316)	(959)	-	-	-	(1,275)
Changes in fair value of derivative liability	-	-	-	-	-	(16,180)
Interest income	-	-	-	-	-	4,158
Changes in fair value of investments, net	-	-	-	-	-	1,246
Share of results of associates	29,794	-	-	-	-	29,794
Share of results of joint venture	4,850	-	-	-	-	4,850
Loss for the year						(1,235,889)

Inter-segment revenues are eliminated on consolidation.

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

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Total AED'000
Year ended 31 December 2010	95,769	137	5,785	519	102,210
Year ended 31 December 2009	80,977	7	5,692	563	87,239

4. OPERATING SEGMENTS continued

Segment assets and liabilities are as follows:

	Chilled water AED'000	Contracting AED '000	Manufacturing AED '000	Services AED '000	Unallocated AED '000	Total AED '000
2010:						
Segment assets	7,536,344	111,411	124,331	99,452	-	7,871,538
Investments in associates	298,041	-	-	-	-	298,041
Investments in joint ventures	3,142	-	-	-	-	3,142
Unallocated assets	-	-	-	-	20,318	20,318
Total assets	7,837,527	111,411	124,331	99,452	20,318	8,193,039
Segment liabilities	1,389,940	105,468	13,249	17,634	-	1,526,291
Unallocated liabilities	-	-	-	-	5,084,513	5,084,513
Total liabilities	1,389,940	105,468	13,249	17,634	5,084,513	6,610,804
2009:						
Segment assets	6,753,703	138,041	139,596	102,726	-	7,134,066
Investments in associates	239,655	-	-	-	-	239,655
Investments in joint ventures	70,432	-	-	-	-	70,432
Unallocated assets	-	-	-	-	116,169	116,169
Total assets	7,063,790	138,041	139,596	102,726	116,169	7,560,322
Segment liabilities	1,919,543	271,368	13,531	28,345	-	2,232,787
Unallocated liabilities	-	-	-	-	3,880,869	3,880,869
Total liabilities	1,919,543	271,368	13,531	28,345	3,880,869	6,113,656

Segment assets do not include available for sale investments of AED nil (2009: AED 68,421 thousand) and bank deposits AED 20,318 (2009: AED 47,748 thousand) as these assets are managed on a group basis.

Segment liabilities do not include interest bearing loans and borrowings of AED 2,406,091 thousand (2009: AED 1,174,444 thousand), Islamic financing arrangements AED 2,320,683 thousand (2009: AED 2,330,327 thousand), obligations under finance lease AED 41,767 thousand (2009: AED 45,368 thousand), convertible bond – liability component AED 262,255 thousand (2009: AED 278,723 thousand) and bank overdraft AED 53,717 thousand (2009: AED 52,007 thousand) as these liabilities are managed on a group basis.

	Chilled water AED '000	Contracting AED '000	Manufacturing AED'000	Services AED'000	Total AED'000
Other information:					
2010:					
Capital expenditure:					
Property, plant and equipment	6,979	218	110	235	7,542
Capital work in progress	590,183	-	-	-	590,183
2009:					
Capital expenditure:					
Property, plant and equipment	3,814	-	3,361	377	7,552
Capital work in progress (restated)	2,297,349	-	-	-	2,297,349
Intangible asset	316	-	-	-	316

Geographic information

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

	Revenue 2010 AED '000	2009 AED '000 Restated	*Non-current assets* 2010 AED '000	2009 AED '000 Restated
United Arab Emirates	1,013,219	779,191	6,118,094	5,812,932
Others	10,515	3,707	447,677	309,298
	1,023,734	782,898	6,565,771	6,122,230

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 per cent towards the Group's revenue.

	Chilled water AED '000	*Contracting AED '000*	*Manufacturing AED'000*	*Services AED'000*	*Total AED'000*
Year ended 31 December 2010:					
Customer 1	260,867	25,560	-	-	286,427
Customer 2	150,719	-	-	-	150,719
	411,586	25,560	-	-	437,146
Year ended 31 December 2009:					
Customer 1	237,043	48,013	-	-	285,056
Customer 3	-	79,998	-	-	79,998
	237,043	128,011	-	-	365,054

5. FINANCE COSTS

	2010 AED '000	*2009 AED '000*
Interest on interest bearing loans and borrowings and overdrafts	125,417	49,731
Rental charges on Islamic financing arrangements	67,126	54,392
Interest element of finance lease	3,208	3,444
	195,751	107,567

6. PROFIT FROM OPERATIONS

6.1 Operating costs

	2010 AED '000	*2009 AED '000 Restated*
Costs of inventories recognised as an expense	56,287	89,447
Contract costs	92,434	112,610
Depreciation	95,049	80,083
Utility costs	191,242	81,283
Purchase of chilled water (note 34)	89,834	85,074
Chiller rental costs	35,864	2,998
Others	36,651	53,293
	597,361	504,788

6.2 Administrative and other expenses

	2010 AED '000	2009 AED '000 *Restated*
Staff costs	96,827	93,720
Depreciation and amortisation	7,161	7,156
Other administrative and general expenses	53,708	38,939
	157,696	139,815

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

	2010 AED '000	*2009 AED '000*
Impairment of property, plant and equipment (note 11)	-	127,675
Impairment of capital work in progress (note 10)	-	1,108,220
	-	1,235,895

In 2009, the unprecedented events in the global economy had a significant impact on the real estate sector in the UAE and GCC. As a result, the management undertook a strategic review of all its projects with the view of assessing the impact of the global downturn on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

The Company applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment and capital work in progress approved by the Company's management and Board of Directors.

In 2010, management reviewed and updated the assumptions in the strategic review conducted in 2009 and determined no additional impairment is required in 2010.

Key assumptions used in value in use calculations

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

- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant not contracted at the year end and inflation rate used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction;
- Discount rate; and
- Terminal value of distribution assets and buildings.

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

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

Discount rate is based on the Company's WACC (i.e. weighted average cost of capital). This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. The Company applied a WACC of 8.5 per cent (2009: 8.5 per cent) for the purpose of the value in use calculation.

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

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

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

	2010	*2009 Restated*
Profit (loss) for the year attributable to ordinary equity holders of the parent for basic and diluted earnings (loss) (AED '000)	136,823	(1,118,499)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	241,364	241,364
Effect of convertible bond ('000)	135,312	135,312
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bond ('000)	376,676	376,676
Basic and diluted earnings (loss) per share (AED)	0.36	(2.97)

Basic and diluted earnings (loss) per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 29).

The weighted average number of ordinary shares outstanding for the year ended 31 December 2009 has been adjusted for the effect of reduction in share capital during the year (note 23).

9. SUBSIDIARIES

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

	Country of incorporation	*Percentage of holding*	
		2010	*2009*
Gulf Energy Systems LLC	UAE	100	100
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100
Emirates Preinsulated Pipes Industries LLC	UAE	60	60
Installation Integrity 2000 LLC	UAE	60	60
CoolTech Energy Water Treatment LLC (formerly BAC Balticare Gulf LLC)	UAE	100	100
Summit District Cooling Company	UAE	100	100
Bahrain District Cooling Company (Note 1)	Bahrain	90	74
Ian Banham and Associates	UAE	70	70
Tabreed Holdings WLL	Bahrain	100	100
Tabreed LLC Oman	Oman	100	100
Tabreed Captive Insurance Company B.S.C.	Bahrain	100	100
Installation Integrity 2006 WLL	Qatar	52	52
Tabreed Oman SAOC	Oman	60	60
Sahara Cooling and Air Conditioning LLC	UAE	51	51

Note 1- During the year, the Company acquired an additional 16.3 per cent shareholding interest in an existing subsidiary. This resulted in increase in the Company's holding in that subsidiary from 74 per cent to 90.3 per cent.

Consideration paid (in the form of conversion of outstanding loans and advances into equity) to acquire the additional interest in the subsidiary and carrying value of net assets acquired from non-controlling interests were AED 106.9 million and AED 24.7 million respectively. The difference of AED 82.2 million between the consideration and carrying value of the interest acquired has been recognised in accumulated losses within equity.

10. CAPITAL WORK IN PROGRESS

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

	2010 AED '000	*2009 AED '000 Restated*
Balance at 1 January	1,578,083	2,472,294
Additions during the year	590,183	2,297,349
Impairment during the year (note 7)	-	(1,108,220)
Transfer to finance lease receivable (note 17)	-	(1,169,624)
Transfer to a joint venture	-	(22,407)
Transfer to property, plant and equipment (note 11)	(1,264,566)	(891,309)
	903,700	1,578,083
Advances to contractors	28,345	60,682
Balance at 31 December	932,045	1,638,765

The receivables relating to capital work in progress balance have been assigned as security against certain interest bearing loans and borrowings and Islamic financing arrangements. The capital work in progress balance subject to this arrangement amounts to AED 487.1 million (2009: AED 1,229 million).

Included in additions to capital work in progress are capitalised financing costs amounting to AED 87 million (2009: AED 109 million).

11. PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED '000	*Distribution network AED '000*	*Furniture and fixtures AED '000*	*Office equipment and instruments AED '000*	*Motor vehicles AED '000*	*Total AED '000*
2010						
Cost:						
At 1 January 2010	2,689,938	1,020,271	9,256	27,306	1,673	3,748,444
Additions	992	-	3,381	3,169	-	7,542
Transfer from capital work in progress (note 10)	599,277	665,289	-	-	-	1,264,566
Transfer to finance lease receivables (note 17)	(58,380)	(26,360)	-	-	-	(84,740)
At 31 December 2010	3,231,827	1,659,200	12,637	30,475	1,673	4,935,812
Depreciation:						
At 1 January 2010	224,199	60,176	7,401	17,347	1,346	310,469
Depreciation for the year	70,065	22,986	3,563	5,479	115	102,208
Transfer to finance lease receivables (note 17)	(4,951)	(1,307)	-	-	-	(6,258)
At 31 December 2010	289,313	81,855	10,964	22,826	1,461	406,419
Net carrying amount before impairment:						
At 31 December 2010	2,942,514	1,577,345	1,673	7,649	212	4,529,393
Impairment						
At 1 January 2010 and at 31 December 2010	89,550	38,322	-	-	-	127,872
Net carrying amount after impairment:						
At 31 December 2010	2,852,964	1,539,023	1,673	7,649	212	4,401,521
2009						
Cost:						
At 1 January 2009	2,109,995	705,120	9,023	23,772	2,737	2,850,647
Additions	3,785	-	233	3,534	-	7,552
Transfer from capital work in progress (note 10)	576,158	315,151	-	-	-	891,309
Disposals	-	-	-	-	(1,064)	(1,064)
At 31 December 2009	2,689,938	1,020,271	9,256	27,306	1,673	3,748,444
Depreciation:						
At 1 January 2009	162,402	40,860	6,508	12,610	1,483	223,863
Depreciation for the year	61,797	19,316	893	4,737	493	87,236
Depreciation relating to disposals	-	-	-	-	(630)	(630)
At 31 December 2009	224,199	60,176	7,401	17,347	1,346	310,469
Net carrying amount before impairment:						
At 31 December 2009	2,465,739	960,095	1,855	9,959	327	3,437,975
Impairment:						
At 1 January 2009	197	-	-	-	-	197
Impairment during the year (note 7)	89,353	38,322	-	-	-	127,675
At 31 December 2009	89,550	38,322	-	-	-	127,872
Net carrying amount after impairment:						
At 31 December 2009	2,376,189	921,773	1,855	9,959	327	3,310,103

11. PROPERTY, PLANT AND EQUIPMENT continued

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

	2010 AED '000	2009 AED '000
Included in operating costs (note 6.1)	95,049	80,083
Included in administrative and other expenses (note 6.2)	7,159	7,153
	102,208	87,236

The receivables relating to plant and distribution network have been assigned as security against certain interest bearing loans and borrowings and Islamic financing arrangements. The plant and distribution network balance subject to this arrangement amounts to AED 3,285 million (2009: AED 2,364 million).
Net book value of plant amounting to AED 50 million (2009: AED 54.3 million) are held under finance lease. The leased assets are pledged as security for the related finance lease (note 30).

12. INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership 2010	2009
Industrial City Cooling Company	United Arab Emirates	20%	20%
Qatar Central Cooling Company PJSC	State of Qatar	44%	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	25%	25%
Sahara Cooling Limited	United Arab Emirates	40%	40%
Cool Tech Qatar	State of Qatar	49%	49%

Movement in investment in associates is as follows:

	2010 AED '000	2009 AED '000
At 1 January	239,655	243,232
Capital injection	22,148	100
Share of results for the year	40,074	27,208
Share of changes in fair value of effective cash flow hedges	(3,836)	9,378
Transfer to asset held for sale (note 22)	-	(33,800)
Impairment during the year	-	(6,463)
At 31 December	298,041	239,655

During 2010, the Company made an additional investment of AED 22.1 million in Tabreed District Cooling Company (Saudi), to contribute to its share in increase in share capital required for a specific project.
The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are identical to Tabreed.
The following illustrates summarised information of Tabreed's investments in associates:

	2010 AED '000	2009 AED '000
Share of the associates' statement of financial position:		
Current assets	178,523	198,168
Non-current assets	810,669	739,982
Current liabilities	(140,435)	(135,790)
Non-current liabilities	(540,538)	(550,359)
Loan from shareholders	(10,178)	(12,346)
Net assets	298,041	239,655
Share of the associates' revenues and results:		
Revenues	134,412	103,597
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 2.4 million (2009: AED 2.6 million)	42,453	29,794

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 13.8 million (2009: AED 10 million). Management believes that the carrying value of the investments will be realised in full.

13. INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

		Ownership	
	Country of incorporation	*2010*	*2009*
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	51%	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	50%	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.

S&T Cool District Cooling Company LLC, a limited liability company, incorporated in Emirate of Abu Dhabi, is involved in the same business activity as Tabreed.

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

The Company changed its accounting policy for accounting joint ventures from proportionate consolidation to equity method. The change in accounting policy has been retrospectively applied with comparatives restated. The change in accounting policy is designed to provide greater clarity and more relevant information regarding the Group's core chilled water business.

Movement in investments in joint ventures is as follows:

	2010 AED '000	*2009 AED '000*
At 1 January	70,432	67,027
Capital injection	-	2,500
Share of results for the year	(3,909)	1,975
Dividend received during the year	(61,927)	-
Adjustments for inter group profits	(1,454)	(1,070)
At 31 December	3,142	70,432
Share of the joint ventures' revenues and profits:		
Revenues	102,486	249,848
(Loss) profit for the year	(1,685)	4,850

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

	2010 AED '000	*2009 AED '000*
Tabreed's share of the assets and liabilities of the joint ventures are as follows:		
Current assets	192,461	318,317
Non-current assets	160,263	102,789
Current liabilities	(241,578)	(291,940)
Non-current liabilities	(79,732)	(30,462)
Loan from shareholders	(28,272)	(28,272)
Total net assets	3,142	70,432

The balance amount of AED 2.2 million loss (2009: AED 2.9 million loss) has been debited to the capital work in progress balance as at 31 December 2010 as it relates to construction activity for the Company's plants.

14. INTANGIBLE ASSETS

	Goodwill		*Trademarks*		*Total*	
	2010 AED '000	*2009 AED '000*	*2010 AED '000*	*2009 AED '000*	*2010 AED '000*	*2009 AED '000*
Balance at 1 January	37,596	38,555	4	7	37,600	38,562
Additions during the year	-	316	-	-	-	316
Impairment during the year	-	(1,275)	-	-	-	(1,275)
Amortisation for the year	-	-	(2)	(3)	(2)	(3)
Balance at 31 December	37,596	37,596	2	4	37,598	37,600

15. IMPAIRMENT TESTING OF GOODWILL

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

	2010 AED '000	2009 AED '000
Ian Banham & Associates	27,711	27,711
Tabreed 1 District Cooling Plant	9,712	9,712
Other	173	173
Total	37,596	37,596

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

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

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

Ian Banham & Associates
The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors to cover a five-year period ending 31 December 2015. The discount rate applied to the cash flow projections is 25 per cent (2009: 25 per cent). Revenue is earned from projects supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3 per cent (2009: 3 per cent).

Tabreed 1 District Cooling Plant
The recoverable amount of Tabreed 1 District Cooling Plant unit is determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on signed contract with customer for a period of 20 years. As the useful life of the plant is assessed as 30 years, the Company has used the remaining useful life of the plant of 21 years at the year end in the model based on rates currently agreed with the customer. The management is confident that the current 20 year contract with the customer will be extended for the remaining useful life of the plant. The operating costs mainly represent cost of utilities to operate the plant and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 8.5 per cent representing the Company's WACC (weighted average cost of capital). A general price inflation level of 3 per cent has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates.

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

16. LOANS TO ASSOCIATE AND JOINT VENTURE

	2010 AED '000	2009 AED '000
Loan to an associate (note i)	25,444	30,865
Loan to a joint venture (note ii)	56,544	56,544
	81,988	87,409

(i) The loan was granted to Sahara Cooling Limited, an associate company. The loan is unsecured and interest is charged at LIBOR + 0.85 per cent. An amount of AED 9.8 million (2009: AED 9.8 million) is expected to be repaid within twelve months from the balance sheet reporting date and accordingly has been classified as current assets in the consolidated statement of financial position.

(ii) In 2009, the Company granted a loan of AED 56.5 million to S&T Cooling Limited, 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.

The loans are classified in the consolidated statement of financial position as follows:

	2010 AED '000	2009 AED '000
Current	9,781	9,781
Non-current	72,207	77,628
	81,988	87,409

17. FINANCE LEASE RECEIVABLES

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

	2010 AED '000	2009 AED '000
At 1 January	1,169,624	-
Transfers from property, plant and equipment and capital work in progress during the year (notes 10 and 11)	78,482	1,169,624
Finance lease income	67,070	-
Received during the year	(38,681)	-
At 31 December	1,276,495	1,169,624

Analysed in the consolidated statement of financial position as follows:

	2010 AED '000	2009 AED '000
Current assets	81,888	33,862
Non-current assets	1,194,607	1,135,762
	1,276,495	1,169,624

17. FINANCE LEASE RECEIVABLES continued

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

	2010		2009	
	Minimum lease receivables AED '000	Present value of minimum lease receivable AED '000	Minimum lease receivables AED '000	Present value of minimum lease receivable AED '000
Within one year	85,005	81,888	36,238	33,862
After one but no more than five years	362,054	292,897	405,941	309,932
More than five years	2,613,781	901,710	2,527,577	825,830
	3,060,840	1,276,495	2,969,756	1,169,624
Unearned revenue (note i)	(1,784,345)	-	(1,800,132)	-
	1,276,495	1,276,495	1,169,624	1,169,624

(i) Movement in unearned revenue is as follows:

	2010 AED '000	2009 AED '000
At 1 January	1,800,312	-
Relating to new finance leases	51,103	1,800,312
Recognised during the year (note 3)	(67,070)	-
At 31 December	1,784,345	1,800,312

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

The accumulated allowance for uncollectible minimum lease payments receivable at 31 December 2010 is AED nil (2009: AED nil).

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 AED '000	2009 AED '000 Restated
Trade receivables	568,331	456,524
Amounts due from related parties (note 34)	80,604	48,905
Advances to contractors and employees	33,781	16,867
Deposits and other receivables	32,397	15,328
Prepayments	8,781	4,601
	723,894	542,225

As at 31 December 2010, trade receivables at nominal value of AED 29.1 million (2009: AED 27.5 million) were fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2010 AED '000	2009 AED '000
At 1 January	27,528	5,229
Charge for the year	2,730	34,777
Amounts written off	(1,156)	(12,478)
At 31 December	29,102	27,528

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

			Past due but not impaired					
	Total AED'000	Neither past due nor impaired AED'000	< 30 days AED'000	30 – 60 days AED'000	60 – 90 days AED'000	90 – 120 days AED'000	120 – 365 days AED'000	>365 days AED'000
2010	648,935	141,710	77,333	73,402	56,187	27,074	161,933	111,296
2009 (Restated)	505,429	124,892	62,382	40,076	36,837	35,931	162,570	42,741

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 34.

19. AVAILABLE FOR SALE INVESTMENTS

During the year, the Company sold its available for sale investments consisting of investment in a listed equity with a carrying amount of AED 1.8 million (2009: AED 3.5 million) and investment in a managed fund with a carrying amount of AED 65 million (2009: AED 65 million) resulting in a net loss of AED 2.1 million (2009: AED nil) recognised in the consolidated income statement.

During the year, the Company recognised an impairment loss of AED nil (2009: AED 4.8 million) relating to available for sale investments.

20. CONTRACT WORK IN PROGRESS

	2010 AED '000	2009 AED '000 Restated
Cost plus attributable profit	126,880	384,553
Less: progress billings	(86,176)	(363,161)
	40,704	21,392

21. CASH AND CASH EQUIVALENTS

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

	2010 AED '000	2009 AED '000 Restated
Bank balances and cash	341,497	256,841
Bank deposits	20,318	47,748
	361,815	304,589
Bank overdraft	(53,717)	(52,007)
	308,098	252,582

Bank deposits attract a fixed rate of interest ranging from 1.00 per cent to 3.00 per cent per annum (2009: 1.00 per cent to 3.25 per cent per annum).

The bank overdraft facility is secured against corporate guarantee and letter of awareness from the Company and pledge over short term deposits.

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

	2010 AED '000	2009 AED '000 Restated
Within UAE	313,349	224,593
Outside UAE	48,466	79,996
	361,815	304,589

22. ASSETS CLASSIFIED AS HELD FOR SALE

On 23 November 2009, the Board of Directors resolved to sell the Company's 50 per cent equity interest in Jordanian Company for Central Energy (PLS), an associate (note 12). The sale transaction was completed in March 2010 for a value of AED 33.8 million resulting in no gain or loss.

23. ISSUED CAPITAL

	2010 AED '000	2009 AED '000
Authorised, issued and fully paid up share capital		
Ordinary shares of 243,380,000 (2009: 1,213,380,000) at AED 1 each	243,380	1,213,380

On 30 May 2010, at an Extraordinary General Assembly meeting of the Company, the shareholders of the Company resolved by unanimous approval of those attending the meeting to grant the Board of Directors full authority to effect a cancellation of up to 970,000,000 ordinary shares of AED 1 each in the Company (the Capital Reduction) on a pro rata basis pursuant to Article 210(3) of the UAE Commercial Companies Law No. 8 for the year of 1984 and to grant full authority to the Board of Directors of the Company (in its absolute discretion) to determine the final terms, timing and implementation of the Capital Reduction, including whether to effectuate the Capital Reduction in whole or in part.

On 9 August 2010, the Board of Directors of the Company resolved to effect the Capital Reduction by way of cancellation of 970,000,000 ordinary shares of AED 1 each in the Company, such that the share capital of the Company is reduced from AED 1,213,380,000 to AED 243,380,000. The Capital reduction has been approved by the Securities and Commodities Authority (by Ministerial Resolution No. (553) of 9 December 2010), and communicated to the shareholders and recorded in the Company's share register on 12 December 2010.

24. TREASURY SHARES AND SHARE-BASED PAYMENTS

Treasury shares

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

A portion of the treasury shares have been cancelled during the year to reflect the capital reduction (note 23) such that the treasury shares amount has been reduced from AED 10,050 thousand to AED 2,016 thousand. (note 26).

Share based payments

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

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

	No. of shares	
	2010	2009
At 1 January	1,087,304	1,722,139
Exercised during the year	(398,859)	(634,835)
Reduction in share capital	(550,356)	-
At 31 December	138,089	1,087,304

The employee incentive scheme liability is re-measured at each reporting date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable (refer below). The carrying amount of the liability as at 31 December 2010 was AED 1.8 million (2009: AED 2.8 million).

24. TREASURY SHARES AND SHARE-BASED PAYMENTS continued

The movement in the carrying amount of the liability during the year reflects the exercise of notional units during the year.

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

	2010 *AED '000*	*2009* *AED '000*
Charge to administrative and other expenses	-	(706)
Charge to capital work in progress	-	(1,230)

No amounts charged during the year as the Company's share price as at 31 December 2010 is below the minimum guaranteed price under the employee incentive scheme.

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

25. STATUTORY AND OTHER RESERVES

Statutory reserve

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

Other reserves

	Cumulative changes in fair value of derivatives AED '000	*Cumulative changes in fair value of available for sale investments AED '000*	*Total AED '000*
Balance at 1 January 2009	(99,476)	(12,713)	(112,189)
Net movement in fair value of derivatives	10,863	-	10,863
Share of net changes in fair value of derivatives of associate	9,378	-	9,378
Impairment loss on of available for sale investments recognised in income statement	-	4,797	4,797
Net movement in fair value of available for sale investments	-	9,448	9,448
Balance at 31 December 2009	(79,235)	1,532	(77,703)
Net movement in fair value of derivatives	11,795	-	11,795
Share of net changes in fair value of derivatives of associate	(3,836)	-	(3,836)
Net movement in fair value of available for sale investments	-	(1,532)	(1,532)
Balance at 31 December 2010	(71,276)	-	(71,276)

26. CAPITAL REDUCTION RESERVE

On 30 May 2010, at an Extraordinary General Assembly meeting of the Company, the shareholders of the Company resolved by unanimous approval of those attending the meeting to grant the Board of Directors full authority to effect a cancellation of up to 970,000,000 ordinary shares of AED 1 each in the Company on a pro rata basis. The Board of Directors in their meeting held on 9 August 2010 resolved to affect the capital reduction by way of cancellation of 970,000,000 ordinary shares of AED 1 each in the Company, such that the share capital of the Company is reduced from AED 1,213,380 thousand to AED 243,380 thousand.

A portion of treasury shares held by the Company have also been cancelled to reflect the effect of the capital reduction from AED 10,050 thousand to AED 2,016 thousand.

	2010 *AED '000*	*2009* *AED '000*
Share capital cancelled (970,000,000 shares of AED 1 each)	970,000	-
Treasury shares cancelled (8,034,000 shares of AED 1 each)	(8,034)	-
	961,966	-

27. INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	*2010* *AED '000*	*2009* *AED '000*
Current			
Term loan 1	EIBOR + margin	6,000	9,000
Term loan 2	LIBOR + margin	170,809	176,895
Term loan 3	EIBOR + margin	91,500	91,500
Term loan 4	LIBOR + margin	128,520	125,664
Term loan 5	LIBOR + margin	-	29,378
Term loan 6	3%	6,919	-
Term loan 7 (note i)	EIBOR + margin	1,255,000	-
Term loan 8	EIBOR + margin	747,343	742,007
		2,406,091	1,174,444

Term loan 1 amounting to AED 3 million and term loan 2 amounting to AED 160.4 million, have been reclassified to current liability as at 31 December 2010 as a result of technical breach of financial covenants (note 2.1).

(i) In February 2010, the Board of Directors of the Company approved short term funding from a shareholder amounting to AED 1.3 billion. As of 31 December 2010, an amount of AED 1,255 million has been drawn from this facility. The loan is repayable in June 2011.

28. ISLAMIC FINANCING ARRANGEMENTS

	Profit charge %	*2010* *AED '000*	*2009* *AED '000*
Current			
Islamic financing arrangement 1	EIBOR + margin	923,356	941,761
Islamic financing arrangement 2	LIBOR + margin	733,095	730,256
Islamic financing arrangement 3	EIBOR + margin	366,932	362,660
Islamic financing arrangement 4	EIBOR + margin	297,300	295,650
		2,320,683	2,330,327

Islamic financing arrangement 1 amounting to AED 859.2 million (net of prepaid finance costs) and Islamic financing arrangement 4 amounting to AED 297.3 million (net of prepaid finance costs), have been reclassified to current liability as at 31 December 2010 as a result of technical breach of financial covenants (note 2.1).

29. MANDATORY CONVERTIBLE BOND

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

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

The liability component of the bond of AED 262.3 million (2009: AED 278.7 million) represents present value of annual coupon payments due at the rate of 7.25 per cent, payable in arrears annually. At inception, the present value was calculated using a market interest rate for a bond with similar characteristics, but without the condition of mandatory conversion into ordinary shares of the Company at the redemption date. Also included in the liability component of mandatory convertible bond is fair value of a derivative liability of AED 18.6 million (2009: AED 43.9 million), representing the element of variation in the number of shares that will be issued at the conversion date, based on the market price of Company's shares. Total liability in the consolidated statement of financial position has been presented, net of allocated transaction costs of AED 1.5 million (2009: AED 4.4 million).

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

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

	2010 Convertible bond-liability component AED '000	2010 Convertible bond-equity component AED '000	2010 Total AED '000	2009 Convertible bond-liability component AED '000	2009 Convertible bond-equity component AED '000	2009 Total AED '000
At 1 January	278,723	1,301,679	1,580,402	375,060	1,301,679	1,676,739
Changes in fair value of derivative liability (note 1)	(25,300)	-	(25,300)	14,400	-	14,400
Accretion expense	5,906	-	5,906	9,386	-	9,386
Amortisation of transactions costs	2,926	-	2,926	3,127	-	3,127
Coupon payment during the year	-	-	-	(123,250)	-	(123,250)
Balance at 31 December	262,255	1,301,679	1,563,934	278,723	1,301,679	1,580,402

Note 1 – Amount shown on the face of the consolidated income statement for the year ended 31 December 2009 includes an amount of AED 1.8 million relating to interest rate swaps not designated as effective cash flow hedges.

The Company is currently in discussion with the bond holders regarding the terms of the bond that is maturing in May 2011. Pending conclusion of such discussions, the coupon obligation of AED 123,250 thousand due in May 2010 has not been settled.

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

	2010 AED '000	2009 AED '000
Current	262,255	117,876
Non-current	-	160,847
	262,255	278,723

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

	2010	2009
Charged to consolidated income statement	2,438	774
Charged to capital work in progress	3,468	8,612
	5,906	9,386

30. 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 cent 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:

	2010		*2009*	
	Minimum lease payments AED '000	*Present value of payments AED '000*	*Minimum lease payments AED '000*	*Present value of payments AED '000*
Within one year	7,749	7,364	7,749	7,364
After one year but not more than five years	30,994	23,384	30,994	23,384
After five years	20,000	11,019	27,765	14,620
	58,743	41,767	66,508	45,368
Less: amounts representing finance charges	(16,976)	-	(21,140)	-
Present value of minimum lease payments	41,767	41,767	45,368	45,368

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

	2010 AED '000	*2009 AED '000*
Current	7,364	7,364
Non-current	34,403	38,004
	41,767	45,368

31. 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:

	2010 AED '000	*2009 AED '000 Restated*
Balance at 1 January	13,923	15,415
Net movement during the year	1,048	(1,492)
Balance at 31 December	14,971	13,923

32. ACCOUNTS PAYABLE AND ACCRUALS

	2010 AED '000	2009 AED '000 Restated
Non-current liabilities		
Retentions payable for capital expenditure	33,605	31,192
Retentions payable for non capital expenditure	8,641	21,076
Other payables and deferred income	23,378	24,340
	32,019	45,416
	65,624	76,608
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	28,394	334,839
Due to a related party – joint venture	172,012	114,898
Accrued expenses and provisions	301,152	832,779
	501,558	1,282,516
Others:		
Accounts payable	91,800	166,318
Due to related parties - associates	35,285	29,042
Accrued expenses	233,809	75,299
Other payables	183,244	189,081
	544,138	459,740
	1,045,696	1,742,256

Terms and conditions of the above financial liabilities:

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

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

For terms and conditions relating to related parties, refer to note 34.

33. ADVANCES

This represents advance received from a customer relating to funding support for the construction of property, plant and equipment. The advance is expected to be repaid / settled in 2011.

34. RELATED PARTY TRANSACTIONS

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

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

	2010				2009			
	Revenue AED'000	Operating costs AED'000	Interest revenue AED'000	Other income AED'000 Restated	Revenue AED'000	Operating costs AED'000	Interest revenue AED'000	Other income AED'000
Associated companies	-	89,834	4,104	228	-	85,074	3,956	701
Joint venture	8,401	-	-	385	40,107	-	-	-

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

	2010 Loan receivable AED '000	2010 Interest bearing loans and borrowings AED '000	2010 Other receivables AED '000	2010 Other payables AED '000	2009 Loan receivable AED '000 Restated	2009 Interest bearing loans and borrowings AED '000	2009 Other receivables AED '000 Restated	2009 Other payables AED '000 Restated
Associated companies	25,444	-	9,951	35,285	30,865	-	12,862	29,042
Joint venture	56,544	-	70,653	172,012	56,544	-	34,754	114,898
Major shareholder		1,255,000				-	-	-
Other related parties	-	-	-	-	-	-	1,289	-
	81,988	1,255,000	80,604	207,297	87,409	-	48,905	143,940

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free, except for loan to an associate (note 16) and loan from a shareholder (note 27), and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2010, no impairment was recorded (2009: AED 11.8 million) relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

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

	2010 AED '000	2009 AED '000
Short-term benefits	20,117	17,129
Employees' end of service benefits	881	642
	20,998	17,771
Number of key management personnel	21	20

35. CONTINGENCIES

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:

	2010 AED '000	2009 AED '000
Within one year	224,972	200,400
After one year but not more than five years	1,288,734	1,172,367
More than five years	4,024,355	4,365,695
	5,538,061	5,738,462

Contingencies

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

	2010 AED '000	2009 AED '000
Performance guarantees	112,182	64,462
Advance payment guarantees	13,705	20,471
Financial guarantees	9,982	9,248
	135,869	94,181

The Company's share of contingencies of joint ventures and associates as of 31 December 2010 impacting the consolidated income statement amounted to AED 0.4 million (2009: AED 0.4 million) and AED 7.3 million (2009: AED 2.3 million) respectively.

36. CAPITAL COMMITMENTS

The authorised future capital expenditure contracted for at 31 December 2010 but not provided for amounted to AED 606 million (2009: AED 1,108 million).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

It is, and has been throughout 2010 and 2009 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, and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2010 and 2009.

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 2010.

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 2010 and 2009 including the effect of hedge accounting.

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

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

To manage the risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2010, after taking into account the effect of interest rate swaps, approximately 35 per cent of the Group's borrowings are at a fixed rate of interest (2009: 38 per cent).

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

	Effect on profit AED '000
2010	
+100 increase in basis points	(20,891)
-100 decrease in basis points	20,891
2009	
+100 increase in basis points	(8,654)
-100 decrease in basis points	8,654

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

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, amounts due from related parties and finance lease receivable) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in notes 17 and 18. The Group's three largest customers account for approximately 57 per cent of outstanding trade receivable balance at 31 December 2010 (2009: 3 customers - 67 per cent). Amounts due in respect of finance lease receivable are from two customers (2009: one customer).

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

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, bonds and finance leases. As at 31 December 2010, as a result of the technical breach of covenants, all the Company's interest bearing loans and borrowings and Islamic financial arrangements have become payable on demand and accordingly, reclassified under the heading of "on demand" for the purpose of the maturity profile analysed below.

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

At 31 December 2010, the Group has no unutilised interest bearing loans and borrowings facilities and Islamic financial arrangements (2009: nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2010 based on undiscounted payments and current market interest rates.

	On demand AED '000	*Less than 3 months AED '000*	*3 to 12 months AED '000*	*1 to 5 years AED '000*	*> 5 years AED '000*	*Total AED '000*
At 31 December 2010						
Derivative financial instruments	-	10,058	52,659	31,883	-	94,600
Convertible bond – liability component	123,250	-	123,250	-	-	246,500
Interest bearing loans and borrowings	2,408,783	12,049	122,772	62,599	31,263	2,637,466
Obligations under finance leases	-	1,937	5,812	30,994	20,000	58,743
Islamic financing arrangements	2,342,600	35,853	38,023	148,263	108,549	2,673,288
Accounts and retention payable, due to related parties and other financial liabilities	-	391,015	483,616	42,246	-	916,877
Bank overdraft	53,717	-	-	-	-	53,717
	4,928,350	450,912	826,132	315,985	159,812	6,681,191
At 31 December 2009						
Derivative financial instruments	-	-	15,663	96,690	5,444	117,797
Convertible bond – liability component	-	-	123,250	123,250	-	246,500
Interest bearing loans and borrowings	1,186,969	21,641	38,775	41,117	21,624	1,310,126
Obligations under finance leases	-	1,937	5,812	30,994	27,765	66,508
Islamic financing arrangements	2,362,600	36,399	61,145	157,903	83,237	2,701,284
Accounts and retention payable, due to related parties and other financial liabilities (restated)	-	547,444	1,085,298	52,268	-	1,685,010
Bank overdraft	52,007	-	-	-	-	52,007
	3,601,576	607,421	1,329,943	502,222	138,070	6,179,232

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 Company's Board of Directors has launched a comprehensive recapitalisation plan on 7 March 2010 (Note 2.1) which is expected to result in further changes to its capital structure during the year ending 31 December 2011.

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

	2010 AED '000	*2009 AED '000*
Interest bearing loans and borrowings	2,406,091	1,174,444
Islamic financing arrangements	2,320,683	2,330,327
Mandatory convertible bond – liability component	262,255	278,723
Obligation under finance lease	41,767	45,368
	5,030,796	3,828,862
Less: cash and cash equivalents	(308,098)	(252,582)
Net debt	4,722,698	3,576,280
Equity	1,487,730	1,428,281
Adjustment for cumulative changes in fair values of derivatives and available for sale investments	71,276	77,703
Total capital	1,559,006	1,505,984
Capital and net debt	6,281,704	5,082,264
Gearing ratio	75%	70%

The increase in the gearing ratio is mainly attributable to increase in net debt due to new borrowings from a related party during the year.

38. FINANCIAL INSTRUMENTS

Fair values

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

	Carrying amount		*Fair value*	
	2010 AED '000	*2009 AED '000*	*2010 AED '000*	*2009 AED '000*
Obligations under finance lease	41,767	45,368	40,395	39,000
Convertible bond – liability component	262,255	278,723	262,255	234,823
Finance lease receivable	1,276,495	1,169,624	1,500,321	946,894

38. FINANCIAL INSTRUMENTS continued

Fair value hierarchy

As at 31 December 2010, the Group held the following financial instruments measured at fair value.

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

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

	2010				2009			
	31 Dec 2010 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*31 Dec 2009 AED'000*	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Assets measured at fair value								
Available for sale investments	-	-	-	-	68,421	3,450	64,971	-
Interest rate swaps	2,282	-	2,282	-	2,898	-	2,898	-
Liabilities measured at fair value								
Derivatives - Mandatory convertible bonds	18,600	-	18,600	-	43,900	-	43,900	-
Interest rate swaps	76,000	-	76,000	-	73,897	-	73,897	-

During the reporting periods ending 31 December 2010 and 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Hedging activities

Cash flow hedges

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

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

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

	Within 1 year AED '000	*1–3 years AED '000*	*3–8 years AED '000*	*Total AED '000*
2010:				
Cash inflows (assets)	912	1,370	-	2,282
Cash outflows (liabilities)	(44,117)	(31,353)	(530)	(76,000)
Net cash inflow (outflow)	(43,205)	(29,983)	(530)	(73,718)
2009:				
Cash inflows (assets)	692	466	1,740	2,898
Cash outflows (liabilities)	(15,663)	(43,572)	(14,662)	(73,897)
Net cash inflow (outflow)	(14,971)	(43,106)	(12,922)	(70,999)

All derivative contracts are with counterparty banks in UAE.

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

	2010			2009		
	Assets AED '000	*Liabilities AED '000*	*Notional amount AED '000*	*Assets AED '000*	*Liabilities AED '000*	*Notional amount AED '000*
Interest rate swaps	2,282	76,000	1,783,280	2,898	73,897	1,777,213

39. EVENTS AFTER THE BALANCE SHEET DATE

Refer to Note 2.1 for details of recapitalisation. Subsequent to year end all the major existing lenders of the Group have approved the principal terms of an agreement to refinance AED 2.6 billion of existing liabilities and to extend a new AED 150 million revolving facility to the Group.

The Company announced it has reached an agreement-in-principle with Mubadala Development Company PJSC to provide up to 3.1 billion in new long-term capital.

Tabreed invited holders of its mandatorily exchangeable sukuk to tender their certificates for early repurchase by Tabreed. Subject to completion of its recapitalisation programme, Tabreed accepted for repurchase all valid tenders of certificates in the offer on 16 March. Tabreed separately invited holders to approve an extraordinary resolution for the redemption of any certificates remaining on completion of the offer. On 28 March Tabreed announced and gave notice to certificateholders that the extraordinary resolution was duly passed at a meeting of certificateholders. The implementation of the extraordinary resolution is also conditional on completion of the recapitalisation programme.

40. COMPARATIVE INFORMATION

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

Consolidated income statement

- Revenues of AED 77 million and corresponding operating costs of AED 85 million for the year ended 31 December 2009 relating to cooling service agreement with Sahara Cooling Limited which was previously reported on net basis under 'administrative and other expenses' have been reclassified and are now shown separately in revenues and operating costs respectively.

Consolidated statement of financial position

- Loan to joint venture amounting to AED 56 million as at 31 December 2009 has now been reclassified from amounts due to related parties.
- Prepayments amounting to AED 4.6 million as of 31 December 2009 have now been grouped within accounts receivable and prepayments and disclosed in note 18 to the consolidated financial statements.

Also refer to note 2.3 for changes made to comparative numbers arising from change in accounting policy during the year.

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