tabreed

Sustainable Cooling

TABREED SUKUK SPC LIMITED

(*incorporated with limited liability in the Dubai International Financial Centre)*

U.S.$500,000,000 TRUST CERTIFICATES DUE 2025

The U.S.$500,000,000 trust certificates due 2025 (the "**Certificates**") of Tabreed Sukuk SPC Limited (in its capacity as issuer, the "**Issuer**" and as trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 31 October 2018 (the "**Closing Date**") entered into between the Trustee, National Central Cooling Company PJSC ("**Tabreed**") and HSBC Corporate Trustee Company (UK) Limited as donee of the powers and as the delegate of the Trustee pursuant to the Declaration of Trust (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined below).

Periodic Distribution Amounts (as defined herein) are payable semi-annually in arrear on 30 April and 31 October in each year commencing on 30 April 2019 (each, a "**Periodic Distribution Date**"). The Trustee will pay Periodic Distribution Amounts to Certificateholders calculated in accordance with Condition 8 (*Periodic Distribution Provisions*). Payments on the Certificates will be made without deduction for or on account of taxes of any Relevant Jurisdiction (as defined herein) to the extent described under Condition 11 (*Taxation*).

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets. Unless previously redeemed in the circumstances described in Condition 10 (*Capital Distributions of the Trust*) and Condition 14 (*Dissolution Events*), the Certificates will be redeemed on 31 October 2025 (the "**Scheduled Dissolution Date**") at the Final Dissolution Amount (as defined herein). The Trustee will pay the Dissolution Amount solely from the proceeds received in respect of the Trust Assets. All payments in respect of the Certificates will be made in accordance with, and subject to the provisions of, the Conditions.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, please see "*Risk Factors*" below.

Application has been made to the United Kingdom Financial Conduct Authority (the "**U.K. Listing Authority**") under Part VI of the Financial Services and Markets Act 2000, as amended ("**FSMA**") for the Certificates to be admitted to the official list of the U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Certificates to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). This Prospectus has been approved by the U.K. Listing Authority as competent authority under Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**").

References in this Prospectus to Certificates being "**listed**" (and all related references) shall mean that (i) such Certificates have been admitted to listing on the Official List and admitted to trading on the Regulated Market which is a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**").

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented, on issue, by a global certificate in registered form (the "**Global Certificate**") deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Tabreed has been rated Baa3 (outlook stable) by Moody's Investors Service, Inc. ("**Moody's**") and BBB (outlook stable) by Fitch Ratings Limited ("**Fitch**") and the Certificates are expected to be rated Baa3 (outlook stable) by Moody's and BBB (outlook stable) by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Fitch is established in the European Union (the "**EU**"), domiciled in the United Kingdom, and is included in the list of credit rating agencies registered in accordance with Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**"). This list is available on the ESMA website (*http://www.esma.europa.eu/page/list-*

registered-and-certified-CRAs). Moody's is not established in the EEA and is not registered or certified under the CRA Regulation. The rating by Moody's is expected to be endorsed by Moody's Investors Service Ltd in accordance with the CRA Regulation. Moody's Investors Service Ltd is included in the list of credit rating agencies registered in accordance with the CRA Regulation. This list is available on the ESMA website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC (by majority) and the *Shari'ah* advisors of J.P. Morgan Securities plc. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles.

Joint Lead Managers

Abu Dhabi Commercial Bank **Abu Dhabi Islamic Bank** **J.P. Morgan**

Mashreqbank PSC

The date of this Prospectus is 29 October 2018

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of giving information with regard to the Trustee, Tabreed and the Certificates which, according to the particular nature of the Trustee, Tabreed and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and Tabreed.

Each of the Trustee and Tabreed accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

The only persons authorised to use this Prospectus in connection with an offer of Certificates are the Joint Lead Managers.

Certain statistical information relating to the UAE included in this Prospectus has been derived from official public sources, including the International Monetary Fund (the "IMF"), the UAE Federal Competitiveness and Statistics Authority (the "FCSA") and the Organization of the Petroleum Exporting Countries ("OPEC"). Each of the Trustee and Tabreed confirms that all third-party information contained in this Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third-party information contained in this Prospectus is stated where such information appears in this Prospectus.

No person is or has been authorised by the Trustee or Tabreed to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee or Tabreed or any of the Joint Lead Managers.

None of the Joint Lead Managers, the Delegate or the Agents have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking in respect thereof, express or implied, is made. None of the Joint Lead Managers, the Delegate and the Agents accept any responsibility for the contents of this Prospectus or for any other statement made, or purported to be made, by a Joint Lead Manager or on its behalf in connection with the Trustee or Tabreed or the issue and offering of the Certificates. Each of the Joint Lead Managers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other information supplied in connection with the Certificates: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Trustee, Tabreed, the Joint Lead Managers, the Delegate or Agents that any recipient of this Prospectus or any other information supplied in connection with the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and Tabreed.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Certificates shall in any circumstances imply that the information contained herein concerning the Trustee and Tabreed is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Certificates is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Trustee or Tabreed since the date of this Prospectus. The Joint Lead Managers, the Delegate and the Agents expressly do not undertake to review the financial condition or affairs of the Trustee or Tabreed during the term of the Certificates or to advise any investor in the Certificates of any information coming to their attention.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy Certificates .in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offering, sale and delivery of the Certificates in

certain jurisdictions may be restricted by law. None of the Trustee, Tabreed, the Joint Lead Managers, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, Tabreed, the Joint Lead Managers, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Trustee, Tabreed and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, Japan and the State of Kuwait. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- **have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in Certificates and the information contained in this Prospectus;**
- **have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact such investment will have on its overall investment portfolio;**
- **have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including Certificates with principal or profit payable in one or more currencies, or where the currency for principal or profit payments is different from the potential investor's currency;**
- **understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and**
- **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.**

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

In making an investment decision, investors must rely on their own independent examination of the Trustee and Tabreed and the terms of the Certificates being offered, including the merits and risks involved.

No comment is made, or advice given by, the Trustee, Tabreed or the Joint Lead Managers in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. None of the Trustee, Tabreed, any Joint Lead Manager, the

Delegate or the Agents makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates and should not be considered as a recommendation by the Joint Lead Managers, the Trustee, Tabreed, the Delegate or the Agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and Tabreed.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC (by majority) and the *Shari'ah* advisors of J.P. Morgan Securities plc. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles. None of the Trustee, Tabreed, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

NOTICE TO UNITED KINGDOM RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. Accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO KINGDOM OF BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the "**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe for or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether inside or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed, or made available to the public generally.

NOTICE TO KINGDOM OF SAUDI ARABIA RESIDENTS

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**CMA**"). The CMA does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO QATARI RESIDENTS

The Certificates will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Central Bank, the Qatar Stock Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO MALAYSIAN RESIDENTS

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or Section 257(3)) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or Tabreed and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Trustee has determined the classification of the Certificates as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

VOLCKER RULE

Section 619 of the U.S. Dodd-Frank Act and the corresponding implementing regulations (the "**Volcker Rule**"), which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, Tabreed, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

STABILISATION

In connection with the issue of the Certificates, J.P. Morgan Securities plc (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Closing Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Certificates. The Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must conduct such stabilisation action in accordance with all applicable laws and rules.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning Tabreed's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying such forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*Financial Review*" and "*Description of the Group*" and other sections of this Prospectus. Tabreed has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although

Tabreed believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which Tabreed has otherwise identified in this Prospectus, or if any of Tabreed's underlying assumptions prove to be incomplete or inaccurate, Tabreed's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- Tabreed's ability to achieve and manage growth, whether through organic growth or by winning new concessions or through acquisitions;
- Tabreed's indebtedness adversely affecting its ability to raise additional capital to fund its operations;
- changes in political, social and economic stability associated with countries and regions in which Tabreed operates;
- the political and economic conditions in the UAE and the Middle East;
- significant competition in the district cooling industry;
- Tabreed's ability to maintain and renew agreements at its existing facilities;
- failure to comply with a wide variety of regulations applicable to the Group's business;
- fluctuations in the currency exchange rates in the markets in which the Group operates; and
- any future impairment of Tabreed's goodwill relating to subsidiaries, joint ventures and associates which may represent a reduction in future cashflows.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Trustee and Tabreed expressly disclaim any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements

The financial statements relating to the Group and included in this Prospectus are:

- the unaudited condensed consolidated interim financial information as at and for the six-month period ended 30 June 2018 (the "**Interim Financial Statements**");
- the audited consolidated financial statements as at and for the year ended 31 December 2017 (the "**2017 Financial Statements**"); and
- the audited consolidated financial statements as at and for the year ended 31 December 2016 (the "**2016 Financial Statements**" and, together with the 2017 Financial Statements, the "**Annual Financial Statements**").

The Interim Financial Statements and the Annual Financial Statements are together referred to as the "**Financial Statements**".

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**") and applicable requirements of UAE law. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "*Interim Financial Reporting*".

Tabreed's financial year ends on 31 December and references in this Prospectus to "**2015**", "**2016**" and "**2017**" are to the 12 month period ended on 31 December in each such year.

Impact of the implementation of IFRS 9 and IFRS 15 from 1 January 2018

The Group applied, for the first time, each of IFRS 9 "*Financial Instruments*" ("**IFRS 9**") and IFRS 15 "*Revenue from Contracts with Customers*" ("**IFRS 15**") with effect from 1 January 2018. The Annual Financial Statements do not reflect the impact of the adoption of IFRS 9 and IFRS 15 and thus may not be comparable to the Interim Financial Statements.

IFRS 9

The impact of the adoption of IFRS 9 on the Group has been limited. The new classification categories for financial assets and the new requirements relating to hedge accounting did not significantly affect the Group. The Group does, however, hold two types of financial asset that are subject to IFRS 9's new expected credit loss model for determining impairment. These financial asset types are trade receivables and finance lease receivables. The impact of the adoption of IFRS 9 was an increase in the credit loss allowances for trade receivables by AED 44.8 million and finance lease receivables by AED 36.6 million, respectively, in the six months ended 30 June 2018. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. However, in accordance with the IFRS transitional provisions, the Group elected not to restate the comparative periods.

IFRS 15

IFRS 15 established a five-step model to account for revenue arising from contracts with customers. Although there was no impact on the Group's revenue recognition due to the application of IFRS 15, for one equity-accounted associate the application of IFRS 15 resulted in revenue recognised immediately on connection fees and up-front capacity charges in prior years being reversed from opening retained earnings. This revenue will be recognised over the remaining life of the relevant contracts. The cumulative impact on the Group's investment in associate and retained earnings as at 1 January 2018 in the Interim Financial Statements was AED 194 million.

Auditors and unaudited information

The Annual Financial Statements have been audited by Deloitte & Touche (M.E.), independent auditors (the "**Auditors**"), in accordance with International Standards on Auditing, who have issued unqualified reports on the Annual Financial Statements. The Interim Financial Statements have been reviewed by the Auditors in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*", who have issued an unqualified review conclusion on the Interim Financial Statements.

All information in this Prospectus as at, or for the six-month periods ended, 30 June 2018 and 30 June 2017 is unaudited.

Certain non-IFRS financial information

This Prospectus includes certain financial information which has not been prepared in accordance with IFRS and which also constitutes alternative performance measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures. None of this financial information is subject to any audit or review by independent auditors.

Adjusted EBITDA

Certain sections of this Prospectus, including "*Selected financial information*" and "*Financial review*", discuss Adjusted EBITDA, which is an APM and is not a measure of financial performance under IFRS. In determining Adjusted EBITDA, the Group adds back to or subtracts from profit for the period the following items:

- add: finance costs;
- add: depreciation;
- add: finance lease amortisation;
- less: finance income;
- less: share of results of associates and joint ventures; and
- less: other gains and losses.

Tabreed believes that the presentation of Adjusted EBITDA is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate Adjusted EBITDA differently from the Group. As all companies do not calculate Adjusted EBITDA in the same manner, the Group's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Some of the limitations of using Adjusted EBITDA as a financial measure are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement.

For a reconciliation of reported profit to Adjusted EBITDA for each of the six-month periods ended 30 June 2018 and 30 June 2017 and for each of 2017, 2016 and 2015, see "*Selected financial information*".

PRESENTATION OF OTHER INFORMATION

Currencies

Unless otherwise indicated, in this Prospectus, all references to:

- references to a "**billion**" are to a thousand million.
- "**dirham**" and "**AED**" are to the lawful currency of the United Arab Emirates;
- "**QR**" are to the lawful currency of Qatar;
- "**Sterling**" and "**£**" are to pounds sterling, being the legal currency of the United Kingdom; and
- "**U.S. dollars**" and "**U.S.$**" are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in dirham. The Group's presentation currency is the dirham.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00. All U.S. dollar translations of dirham amounts appearing in this Base Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or at any other rate of exchange.

Third party and market share data

This Prospectus contains only limited information regarding the Group's business and the industry in which it operates and competes, as there is no independent third party analysis of the district cooling market in the countries in which the Group operates and the companies engaged in district cooling in those countries are typically privately owned and unlisted and generally do not publish as much information as the Group, which is a listed company.

As a result, any Group market share data or other indication as to the Group's position in its markets included in this Prospectus is referred to as having been estimated or as a statement of the Group's belief. All such estimates and statements have been made by the Group using its own information and any other information which is publicly available. Tabreed believes that these estimates and statements are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. All such estimations and statements have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, but Tabreed cannot guarantee that any third party would reach the same conclusions.

Statistical information relating to the UAE included in this Prospectus has been derived from official public sources, including the International Monetary Fund (the "**IMF**"), the UAE Federal Competitiveness and Statistics Authority (the "**FCSA**") and the Organization of the Petroleum Exporting Countries ("**OPEC**"). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Certificates.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

Tabreed's website is www.tabreed.ae. The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

Certain definitions

In this Prospectus:

- "**Abu Dhabi**" means the Emirate of Abu Dhabi;
- "**connected capacity**" in relation to a district cooling plant owned by the Group means the amount of revenue generating cooling capacity, expressed in RT per annum, over which the Group has contracts with its existing customers;
- "**DIFC**" means the Dubai International Financial Centre;
- "**Dubai**" means the Emirate of Dubai;
- "**GCC**" means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- "**Government**" means the government of Abu Dhabi;
- "**Group**" means Tabreed and its Subsidiaries (as defined in Condition 5 (*Negative Pledge*)) taken as a whole;
- "**MENA region**" means the region comprising the Middle East and North Africa;
- "**RT**" means refrigeration tons, which is the unit of power used to describe the heat-extraction capacity of cooling equipment. One RT is approximately equal to 12,000 British thermal units ("**BTU**") or 3.5 kilowatts; and
- "**UAE**" means the United Arab Emirates.

Unless otherwise specifically stated, all references in this document to the Group's connected capacity at any date is to the aggregate total gross connected capacity of all the plants owned or operated by Tabreed and its subsidiaries, joint ventures and associates.

Rounding

In this Prospectus, financial information relating to the Group which has been extracted from the Financial Statements has been rounded to the nearest thousand dirhams, with AED 500 and above being rounded up and AED 499 and below being rounded down. In tables in this Prospectus, the number "0" denotes that the amount is less than AED 500 whilst the symbol "-" indicates that there is no number for the particular item. As a result of such rounding, the totals of financial data presented in tables in this Prospectus and in any related analysis may vary slightly from the arithmetic totals of such data. Percentage changes and other percentage data relating to the Group's financial information have been calculated on the basis of financial statement data contained in the Financial Statements which have been included this Prospectus.

Language

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Words and expressions defined in "*Terms and Conditions of the Certificates*" (the "**Conditions**") and "*Form of the Certificates*" shall have the same meanings in this overview.

Trustee	Tabreed Sukuk SPC Limited, as trustee for and on behalf of the Certificateholders and, in such capacity, as issuer of the Certificates, a special purpose company incorporated with limited liability in the DIFC on 7 October 2018 with registered number 3003 and with its registered office at c/o Maples Fund Services (Middle East) Limited, Office C1407, 14th Floor, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. The Trustee shall on each the Closing Date issue the Certificates to the Certificateholders and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Legal Entity Identifier (LEI) of Trustee	549300DC2NOQN38VGO16.
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$100 consisting of 100 shares of U.S.$1.00 each, of which are fully paid up and issued. The Trustee's entire issued share capital is held on trust by MaplesFS Trustees Ireland Limited as share trustee (the "**Share Trustee**") for charitable purposes under the terms of a declaration of trust dated 9 October 2018 (the "**Share Declaration of Trust**").
Administration of the Trustee........	Maples Fund Services (Middle East) Limited, a corporate service provider incorporated in the DIFC acts as the secretary and corporate administrator of the Trustee (in such capacity, the "**Corporate Service Provider**"). Pursuant to the terms of a corporate services agreement dated 9 October 2018 entered into between the Trustee and the Corporate Service Provider (the "**Corporate Services Agreement**"), the Corporate Service Provider has agreed to provide, or procure the provision of, certain administrative functions to the Trustee, including registered office, director and alternate director, secretarial, administrative and other services until termination of the Services Agreement. The offices of the Corporate Service Provider are situated at Office C1407, 14th Floor, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.
Tabreed.......................................	National Central Cooling Company PJSC, a public joint stock company incorporated in the UAE on 17 June 1998, and operating under Dubai licence number 506206 and Abu Dhabi licence number 1017850. Tabreed is headquartered in Abu Dhabi, with its registered office at P.O. Box 29478, Dubai, UAE.
Risk Factors................................	There are certain factors that may affect the Trustee's and Tabreed's ability to fulfil its obligations in respect of the Certificates. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Certificates. These

	include certain risks relating to the structure of the Certificates and certain market risks. See "*Risk Factors*".
Joint Lead Managers	Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, J.P. Morgan Securities plc and Mashreqbank PSC.
Delegate	HSBC Corporate Trustee Company (UK) Limited (the "**Delegate**"). In accordance with the Declaration of Trust, the Trustee will, *inter alia*, unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Declaration of Trust in accordance with the terms of the Declaration of Trust. In addition, pursuant to the Declaration of Trust, certain powers will be vested solely in the Delegate.
Principal Paying Agent	HSBC Bank plc.
Registrar and Transfer Agent........	HSBC Bank plc.
Sale and Purchase of Plant Capacity	Tabreed (as Seller) will sell to the Trustee (as Purchaser) certain allotted Plant Capacity (the "**Allotted Plant Capacity**") and additional Plant Capacity (the "**Additional Plant Capacity**") pursuant to the relevant Purchase of Services Agreement (as defined herein). See further, "*Structure Diagram and Cash Flows*" and "*Summary of the Principal Transaction Documents*".
Certificates..................................	U.S.$500,000,000 Trust Certificates due 2025.
Closing Date................................	31 October 2018.
Issue Price...................................	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates............	30 April and 31 October, in each year, commencing on 30 April 2019.
Periodic Distribution Amounts	Certificateholders are entitled to receive Periodic Distribution Amounts calculated in accordance with Condition 8 (*Periodic Distribution Provisions*).
Status of the Certificates	Each Certificate will represent an undivided ownership interest in the Trust Assets, is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee and will rank *pari passu*, without preference or priority, with all other Certificates.
Form and Delivery of Certificates..	The Certificates will be issued in registered form only. The Certificates will be represented on issue by ownership interests in a global certificate (the "**Global Certificate**"), which will be deposited with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. Certificates in definitive form evidencing holdings of Certificates ("**Definitive Certificates**") will be issued in exchange for interests in the Global Certificate only in certain limited circumstances. See further the section entitled "*Form of the Certificates*".
Clearing Systems	Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg.

	Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Redemption of Certificates............	The Scheduled Dissolution Date of the Certificates is 31 October 2025. Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the Final Dissolution Amount and on the Scheduled Dissolution Date and the Trust will be dissolved by the Trustee.
Denominations	The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Negative Pledge............................	The Certificates will have the benefit of a negative pledge granted by Tabreed, as more particularly described in Condition 5 (*Negative Pledge*).
Trustee Covenants........................	The Trustee has agreed to certain restrictive covenants as set out in Condition 7 (*Covenants*).
Financial Covenants of Tabreed....	Tabreed has agreed to certain financial covenants as set out in Condition 7 (*Covenants*).
Cross Acceleration........................	The Certificates will have the benefit of a cross acceleration provision as described in Condition 14 (*Dissolution Events*).
Trust Assets	Pursuant to the Declaration of Trust, the Trustee has declared that it will hold the Trust Assets upon trust absolutely for, and on behalf of, the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder. The term "**Trust Assets**" means: (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Plant Capacity which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Transaction Documents; (c) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Tabreed to the Trustee and/or the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee and/or the Delegate pursuant to clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (d) all monies standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.
Limited Recourse..........................	Each Certificate will represent an undivided ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the Trust Assets) or Tabreed (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or the Delegate or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been enforced, realised and fully discharged following which all obligations of the Trustee and Tabreed shall be extinguished.

Dissolution on the Scheduled Dissolution Date .... Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem the Certificates at the Final Dissolution Amount and the Trust will be dissolved by the Trustee on the Scheduled Dissolution Date.

Early Dissolution of the Trust........ The Trust may be dissolved prior to the Scheduled Dissolution Date upon:

(a) the occurrence of a Dissolution Event;

(b) the occurrence of a Tax Event;

(c) upon all of the Certificateholders exercising the Change of Control Put Option;

(d) all of the Certificates being redeemed following the exercise by Tabreed of an Optional Dissolution Right (Clean Up Call); or

(e) all of the Certificates being cancelled following the purchase of such Certificates by or on behalf of Tabreed and/or any of its Subsidiaries.

In the case of the events described in paragraphs (a) to (e) above, the Certificates will be redeemed pursuant to the exercise of the Purchase Undertaking or the Sale Undertaking (as applicable) whereupon Tabreed will purchase from the Trustee the Outstanding Plant Capacity and the Additional Plant Capacity (each as defined in the Service Agency Agreement). The relevant exercise price payable under the relevant Sale Agreement upon due exercise of the Purchase Undertaking or Sale Undertaking (as applicable) will be used to fund the redemption of the Certificates at an amount equal to the relevant Dissolution Amount.

Early Dissolution for Tax Reasons . Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*) or Tabreed has or will become obliged to pay any additional amounts in respect of amounts payable under the Transaction Documents as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the Conditions) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Certificates and such obligation cannot be avoided by the Trustee or Tabreed, as applicable, taking reasonable measures available to it, the Trustee will, following receipt of a notice (the "**Exercise Notice**") and payment of the Exercise Price by Tabreed under the Sale Agreement upon due exercise of the Sale Undertaking redeem the Certificates, in whole but not in part, at an amount equal to the relevant Tax Redemption Amount on the relevant Tax Redemption Date specified in the Exercise Notice. See further Condition 10(b)

(*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*).

Change of Control Put Option....... Each Certificateholder will have the right to require the redemption of its Certificates if a Change of Control Event occurs. See further Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*).

For such purposes:

a "**Change of Control**" will occur if any person or persons other than:

(a) the Government of Abu Dhabi (or any entity controlled directly or indirectly by the Government of Abu Dhabi); or

(b) Engie S.A. (or any entity controlled directly or indirectly by Engie S.A.),

acquires (individually or in aggregate) more than 50 per cent. of the issued share capital of Tabreed. For such purposes, each of the Government of Abu Dhabi and/or Engie S.A. will be deemed to "**control**" an entity if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of such entity or otherwise controls, or has the power to control, the affairs and policies of such entity;

a "**Change of Control Event**" will occur if:

(a) a Change of Control occurs; and

(b) either:

(i) at the time that the Change of Control occurs, Tabreed does not have Investment Grade Status; or

(ii) at any time during the Specified Downgrade Period:

(A) Tabreed ceases to have Investment Grade Status; and

(B) in respect of such cessation of Investment Grade Status, any relevant Rating Agency that had assigned an Investment Grade Rating to Tabreed which has been withdrawn or downgraded below an Investment Grade Rating publicly announces that such withdrawal or downgrading of the rating was the result, in whole or in part, of the Change of Control;

"**Investment Grade Rating**" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Fitch; or (iii) BBB- (or the equivalent) by S&P, or in each case the equivalent thereof from any other Rating Agency (as applicable);

"**Investment Grade Status**" means that Tabreed has an Investment

Grade Rating from at least two Rating Agencies;

"**Rating Agencies**" means (i) Moody's, (ii) Fitch, (iii) Standard & Poor's Credit Market Services Europe Limited ("**S&P**"); and (iv) if any one or more of Moody's, Fitch or S&P do not make a rating of Tabreed publicly available, one or more internationally recognised securities rating agencies selected by Tabreed; and

"**Specified Downgrade Period**" means the period:

(a) commencing on the date on which the Change of Control occurred; and

(b) ending on the date falling 90 days after the date on which the Change of Control occurred.

Optional Dissolution Right (Clean Up Call)....................................... The Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of Tabreed (in whole but not in part) in accordance with Condition 10(d) (*Capital Distributions of the Trust – Dissolution at the Option of Tabreed (Clean Up Call)*) if, at any time, the aggregate face amount of the Certificates then outstanding is no more than 20 per cent. of the aggregate face amount of the Certificates upon issue thereof on the Closing Date.

Dissolution Events........................ The Certificates will be subject to certain dissolution events as described in Condition 14 (*Dissolution Events*). Following the occurrence of a Dissolution Event, the Certificates may be redeemed in full at an amount equal to the relevant Final Dissolution Amount.

Ratings.. The Certificates are expected to be rated Baa3 (outlook stable) by Moody's and BBB (outlook stable) by Fitch.

Tabreed is currently rated Baa3 (outlook stable) by Moody's and BBB (outlook stable) by Fitch.

The Trustee is not rated by any rating agency.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Withholding Tax........................... All payments by Tabreed under the Transaction Documents to which it is a party are to be made without withholding or deduction for, or on account of, any Taxes imposed in the DIFC, the UAE or Dubai (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding or deduction is required by law. In the event that any such withholding or deduction is made by Tabreed as a result of any requirement of law, Tabreed will be required to pay to the Trustee additional amounts so that the Trustee will receive the full amounts that it would have received under the relevant Transaction Documents had no such withholding or deduction been required.

All payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, any Taxes imposed in the DIFC, the UAE or Dubai (or any political subdivision or any authority thereof or therein having power to tax) unless the withholding or deduction is required by law. In the event that any such withholding or deduction is made by the Trustee as a result of any requirement of law, the Trustee will be required, subject to certain exceptions provided in Condition 11 (*Taxation*), to pay such additional amounts as shall result in receipt by the Certificateholders of the amount that would have been received by them had no such withholding or deduction been required. Tabreed has agreed in the Transaction Documents that, if the Trustee is required to make any such deduction or withholding, Tabreed will pay to the Trustee such additional amounts to cover the amounts so withheld or deducted. See further, Condition 11 (*Taxation*).

Tax Considerations....................... See the section entitled "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Governing Law............................. Each of the Declaration of Trust, the Agency Agreement, the Subscription Agreement, the Purchase of Services Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, each Sale Agreement entered into in connection with the exercise of the Purchase Undertaking or the Sale Undertaking, each Transfer Agreement entered into in connection with the Sale Undertaking, the Certificates and any non-contractual obligations arising out of or in connection with the same, will be governed by, and construed in accordance with, English law.

The Corporate Services Agreement and the Registered Office Agreement are governed by the laws of the DIFC and are subject to the non-exclusive jurisdiction of the courts of the DIFC. The Share Declaration of Trust is governed by the laws of Ireland.

Transaction Documents................ The Transaction Documents are: the Declaration of Trust, the Agency Agreement, the Purchase of Services Agreement, the Service Agency Agreement (including the Services Plan), the Purchase Undertaking, the Sale Undertaking, each Sale Agreement entered into in connection with the exercise of the Purchase Undertaking or the Sale Undertaking and each Transfer Agreement entered into in connection with the Sale Undertaking.

Listing and Admission to Trading.. Application has been made to list the Certificates on the Official List and to admit them to trading on the Regulated Market and references to listing shall be construed accordingly.

Waiver of Immunity.................... Tabreed has irrevocably agreed that, should any Proceedings (as defined in Condition 21(c) (*Governing Law and Dispute Resolution – Jurisdiction*)) be taken anywhere (whether for any injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. Tabreed has irrevocably agreed that it and its assets (irrespective of its use or intended use) are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Certificates or the Transaction Documents to which it is a party. Notwithstanding the foregoing, Tabreed makes no representation as to whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedures will apply to its assets,

	revenue or property.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong, Malaysia, Japan and the State of Kuwait. Please see "*Subscription and Sale – Selling Restrictions*".
Use of Proceeds............................	The proceeds of the Certificates will be paid by the Trustee to Tabreed as consideration for the purchase by the Trustee of the Plant Capacity specified in the Purchase of Services Agreement. The net proceeds of the Certificates will be applied by Tabreed for its general corporate purposes.
Security Codes.............................	ISIN: XS1843455103 Common Code: 184345510 CFI: DAVXFR FISN: TABREED SUKUK S/VARASST BKD 2200123

RISK FACTORS

*The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus. If any, or a combination of, these risks occurs, the Group could be materially adversely affected. For the purposes of this section, the indication that a risk, uncertainty or problem may have a "**material adverse effect**" on the Group or that the Group may be "**materially adversely affected**" means that the risk, uncertainty or problem could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows, liquidity, reputation and/or prospects and/or on the Group's ability to make payments under the Transaction Documents and/or on the market price of the Certificates, except as otherwise indicated or as the context may otherwise require.*

Each of the Trustee and Tabreed believes that the factors described below represent all the material risks inherent in investing in the Certificates, but the inability of the Trustee and Tabreed to pay amounts due under the Transaction Documents may occur for other reasons which may not be considered significant risks by the Trustee or Tabreed based on information currently available to them or which they may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risk factors relating to the Trustee

The Trustee was incorporated under the laws of the DIFC on 7 October 2018 as an exempted company with limited liability and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets, acting in the capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including its right to receive payments from Tabreed under the relevant Transaction Documents. The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from Tabreed of all amounts due under the relevant Transaction Documents. Therefore, the Trustee is subject to all the risks to which Tabreed is subject to the extent that such risks could limit Tabreed's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. In the event of any shortfall in such amounts, the ability of the Trustee to meet payment obligations under the Certificates may be adversely affected. See "*Risks relating to the Certificates — The Certificates are limited recourse obligations*".

Risks relating to the Group

The Group may face increased competition in the markets in which it operates

The Group owns and operates 63 district cooling plants in the UAE and, through subsidiaries and affiliates, the Group also operates three plants in each of Oman and Qatar, two plants in Saudi Arabia and one plant in Bahrain.

The Group operates in an increasingly competitive environment. The Group's competitors in these markets include government-owned entities and entities which are owned by major regional property developers. Some of the Group's competitors may have substantially greater financial, personnel, technical, marketing and other resources. In Dubai, the Group believes that certain of its competitors may have a bigger market share in terms of connected capacity than the Group and some of the Group's competitors may be able to leverage their knowledge and contacts more efficiently than the Group. In addition, certain competitors may face less competition for customers because they have a captive market. The Group's competitors may, from time to time, adopt more aggressive pricing policies, offer better products and services, develop and deploy more rapidly any new or improved technologies, expand and enhance their plants more rapidly, and undertake more extensive advertising and marketing than the Group. Further, some of the Group's competitors are retail focused which may enable them to leverage or expand their customer base in ways that the Group, with its wholesale business-to-business focus, cannot.

The Group's competitive focus is to establish itself as the district cooling partner of choice in all the markets in which it operates. In this context, the key success factors for the Group are to:

- maintain its market leading positions in terms of connected capacity in the markets in which it operates;
- continue to provide high quality, reliable and cost-effective operations and services to all of its customers;
- maintain strong relationships with its customers to maximise the chance of winning new business from them;
- bid competitively for new projects, both in terms of price and by demonstrating a flexible approach to ensure that each customer's needs are met to the fullest extent possible; and
- leverage the strength of the Group's major shareholders in accessing opportunities in its target markets.

The main competitive risks that the Group faces are a failure to maintain its operations and customer relationships, and a failure to win new business in the face of competition. Any failure by the Group to compete effectively could materially adversely affect it.

The Group's revenue, profits and cash flows are concentrated in the UAE and the Group is therefore exposed to negative economic developments in the UAE

The Group relies, to a significant extent, on the revenue, profits and cash flows generated by its operations in the UAE to make payments on its financing (including payments under the Transaction Documents upon issuance of the Certificates), pay operating expenses, fund its capital expenditure and meet its other obligations that may arise from time to time. For example, in 2017, the Group's UAE revenue accounted for 95.7 per cent. of its total revenue. Reflecting this concentration, the Group's results of operations may be negatively affected by adverse economic developments in or affecting the UAE.

Although the UAE has one of the most diversified economies in the GCC and the non-oil sector has been driving activity recently, approximately 17 per cent. of the UAE's nominal GDP in 2016 remained related to the hydrocarbon sector based on the latest GDP data published by the FCSA. Since mid-2014 and based on data published by OPEC, oil prices (based on OPEC's Reference Basket which is a notional blend of crudes from around the world, including Abu Dhabi's Murban crude oil) fell from an annual average of U.S.$96.29 per barrel in 2014 to U.S.$49.49 per barrel in 2015 and U.S.$40.76 per barrel in 2016. Prices recovered to a limited extent in 2017, with the annual average price of the Reference Basket for that year being U.S.$52.43. In the first eight months of 2018, the average of the monthly average prices for the OPEC Reference Basket was U.S.$69.40, helped by the success of OPEC's most recent production limiting agreement, limited production in Venezuela and U.S. dollar weakness. The generally low international oil prices have adversely affected GCC economies since 2014, reducing fiscal budgets and public spending ability. For example, in the UAE the IMF noted in its 2017 Article IV Consultation report that despite fiscal consolidation, lower oil revenue had widened the overall deficit to 4.3 per cent. of GDP in 2016 from 3.4 per cent. of GDP in 2015.

Any significant future deterioration in the economic environment, whether driven by adverse changes in oil prices together with any associated reduction in governmental spending or other factors such as a slump in the property market similar to that which occurred around the time of the global financial crisis in both Dubai and, subsequently, in Abu Dhabi, could have an adverse impact on the level of economic activity which could, in turn, result in reduced liquidity and increased volatility in interest rates and exchange rates. These factors could negatively impact the Group's revenue to the extent that they materially adversely impact any significant customer of the Group, see "*—The Group enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group*" below. In addition, the Group's continued growth depends on its ability win bids to construct new plants to service new developments and a significant economic slowdown in the UAE could reduce the number of new projects available to the Group to bid on and could increase competition in securing those projects.

The Group is exposed to adverse political developments affecting the GCC and the UAE in particular

While the UAE is currently seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Oman, Saudi Arabia, Syria, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of regime changes and increased political uncertainty across the region. In particular, the armed conflicts in Syria, Iraq and Yemen have the potential to further destabilise the region, further increase uncertainty and have a material negative impact on the regional economy.

In mid-2017 Bahrain, Saudi Arabia, the UAE and certain other countries imposed sanctions on Qatar which remain in place. The Group is party to a district cooling joint venture in Qatar in which it has a 44 per cent. shareholding. This joint venture operates as an independent stand-alone company and to date the sanctions and political tensions arising from them have not impacted the operations or financial performance of the joint venture. Nevertheless, there can be no assurance that continuing or increasing political tensions will not impact the joint venture or Tabreed's ability to influence it through its presence on the joint venture's board of directors.

The Group's business may be affected by the political conditions prevailing from time to time in the GCC. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the Group would be able to sustain its current profit levels if adverse political events or circumstances were to occur.

The Group enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group

The Group's contracts with its customers are typically long-term and typically provide for two principal sources of revenue:

- fixed capacity charges for cooling capacity reserved to a customer which cover all fixed costs and provide a return on capital. These charges are required to be paid regardless of usage and typically increase annually in line with local consumer price inflation; and

- variable consumption charges based on metered usage which typically cover all variable costs of operation with utility costs, such as fuel and water, being charged on a pass-through basis.

To date, the Group has generally been successful in applying these charges in line with contractual terms, including the inflation-related increases and pass-through provisions where utility costs have escalated, and has also continued to receive capacity payments in cases where not all the capacity has been used.

Nevertheless, there remains a risk that one or more customers may default on its contractual obligations, delay payments or seek to renegotiate its contractual agreement during the term of the relevant contract or as a condition of renewing it and such customers may also seek to challenge certain provisions of the contractual terms which they have agreed to. This risk may be accentuated at times of poor economic performance or when a customer is experiencing significant financial difficulties or other material adverse changes in its business. See also "*—The Group's ability to enforce all of the provisions of its contracts may be limited in certain circumstances*" below. In addition, there is a risk that the Group may be required to amend provisions in its contracts by a change of law or regulation and such required amendments may be adverse to the Group. See also "*—Failure to comply with existing laws and regulations, or increased governmental regulation of the Group's operations, could result in substantial additional compliance costs or fines or other sanctions*" below.

The Group has a significant portion of build, own, operate, transfer ("**BOOT**") contracts, which require it to transfer the cooling plant, pipelines and related cooling infrastructure in working condition to its customer at the end of the relevant contractual period. The Group has been able to extend two of its material BOOT contracts in the past to avoid transferring its assets; however, there can be no guarantee that the Group will be able to extend any or all of its BOOT contracts in the future.

The Group has a significant customer concentration

In each of 2017, 2016 and 2015, the Group's three biggest customers accounted for 53.8 per cent., 53.5 per cent. and 55.1 per cent., respectively, of the Group's revenue. These three customers are the UAE armed forces (the "**UAF**"), the Dubai Road Transportation Authority (the "**RTA**") and Aldar Properties PJSC ("**Aldar**"). Any factor, including but not limited to, default, repudiation, termination, extended force majeure or expropriation, which affected the Group's ability to recover the full amount of the revenue due to it under one of its contracts with these customers or under its contracts generally could have a material adverse effect on the Group. In any such a case, although the Group may be entitled to contractual remedies against the customer or customers concerned, the enforcement of contractual remedies can be a time consuming and expensive process and there is no certainty that the Group would successfully recover any or all of the amounts owed to it.

The Group's ability to enforce all of the provisions of its contracts may be limited in certain circumstances

A significant proportion of the Group's customers are government entities or companies that are controlled directly or indirectly by governments. These government-related customers may be able to negotiate better contractual terms than some of the Group's other customers, for example one of the Group's significant government-related customers does not have the pass through provisions discussed under "—The Group enters into long-term contracts with its customers and material changes to key terms in those contracts could adversely affect the Group" above in its contract. In addition, should any of the Group's government-related customers dispute the contractual terms it has agreed, it may be difficult for the Group to enforce those terms as a result of sovereign immunity and other considerations. The Group also contracts with military customers, which may subject the Group to additional regulations, costs or operational restrictions due to national security concerns or inhibit the Group from using enforcement mechanisms that would be available against a private customer. The Group is currently in discussions with a material government-related customer in relation to the interpretation of consumer price inflation-related increase provisions in its contract and it is possible that those discussions may not result in a solution acceptable to both parties.

Unexpected equipment failures, or third party damage to the Group's distribution networks, may disrupt the Group's ability to operate its plants

Interruptions in the production capabilities of one or more of the Group's district cooling plants could reduce the Group's revenue and profit for the affected period. The Group's plants are also subject to the risk of catastrophic loss due to unanticipated events, see *"—The Group's operations could be adversely affected by catastrophic events, including natural disasters, terrorist attacks or war, over which it has no control*" below.

Each of Group's district cooling plants is dependent upon critical pieces of equipment, which could reduce the relevant plant's production capacity or incur downtime as a result of unanticipated defects or failures. In the future, the Group could experience inoperability or reduced production capabilities in one or more of its plants due to equipment failure. In addition, damage to any of the Group's chilled water distribution networks by third parties who are undertaking construction and other activities adjacent to the networks could interrupt the operations of a district cooling plant.

Unexpected interruptions in production capabilities would adversely affect the relevant plant's business, productivity and financial condition. Moreover, any interruption in production capability may require significant capital expenditure to remedy the problem, which would reduce the amount of cash available for the Group's operations. The Group's insurance may not cover such losses, see "*—The Group's business involves operating hazards, and its insurance may not be adequate to cover its losses*" below. In addition, a long-term disruption could harm the Group's reputation and result in a loss of customers, which could materially adversely affect the Group.

The Group depends on the supply of electricity, gas and water from third parties

The Group depends on the supply of electricity, gas and water from third parties for its district cooling plants. The Group obtains these supplies from local utility providers in each jurisdiction in which it operates and, in most cases, pays the local tariff rate for these supplies. In the UAE, for some of the Group's district cooling assets, gas is supplied pursuant to a renewable one-year contract with the Abu Dhabi National Oil Company ("**ADNOC**"). The Group does not currently have any fixed term supply contract with any other utility supplier.

Should the supply of electricity, gas or water to any of the Group's plants be interrupted for a material period, the Group's ability to operate that plant and provide district cooling services could be adversely affected. As a result, in addition to any lost revenue, the Group may also be responsible for losses incurred by its customers and its reputation could be negatively affected, all of which could have a material adverse affect on the Group.

The Group has investments in, and may continue to invest in, companies that the Group does not control or over which it only has joint control and this could expose the Group to additional risks

The Group currently invests in, and expects to make additional investments in, companies that it does not control or over which it only has joint control. For example, the Group has a 44 per cent. interest in an associate in Qatar and a 20 per cent. interest in an associate in Saudi Arabia that together own and operate five of the Group's 72 district cooling plants.

Investments in which the Group has joint control with third parties are subject to the risk that the other shareholders of the company in which the investment is made, who may have different business or investment objectives, may have the ability to block business, financial or management decisions which the Group believes are crucial to the success of the joint venture, or work in concert to implement initiatives which may be contrary to the Group's interests. In addition, the Group's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties that may adversely impact the Group's investment.

Investments over which the Group does not have control, for example the Saudi Arabian and Qatar investments which are both equity-accounted associates, are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Group does not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that does not serve the Group's interests. The Group can give no assurance as to the performance of any of its joint venture partners. The Group's equity investments in such companies may also be diluted if it does not partake in future equity or equity-linked fundraising opportunities.

Constructing new district cooling plants is inherently risky

The Group believes that the principal risk which it faces when constructing a new plant is that it has completed the plant in circumstances where the one or more customer buildings to which the plant is to be connected are delayed or simply not completed, whether because the developer becomes insolvent or the construction becomes uneconomic or for other reasons. In this case, whilst the Group generally has certain take or pay contractual terms where cooling charges are required to be paid regardless of the progress of construction of customer buildings or whether chilled water is actually being used by the customer, in practical terms, the Group's ability to enforce such terms may be limited, particularly if the customer becomes insolvent or the construction ceases. As a result, the Group may not receive any revenue, or may receive less than the originally anticipated revenue, from the plant until completion is achieved by the customer and the customer begins to receive revenues from its building, development or project.

When constructing a new district cooling plant, the Group faces a number of other risks, including:

- requirements to make significant capital expenditures without receiving cash flow from the project concerned until future periods;
- possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for such construction and capital improvements may not be available to the Group on suitable terms or at all;
- delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations, including right of way permits which are integral to the installation of the water pipes used in district cooling;
- an inability to complete projects on schedule or within budgeted amounts;
- over or under estimation of the amount of cooling required as the amount of cooling capacity for a new plant is based on the type of building and the gross floor area provided by the customer, which is not a precise calculation; and

- fluctuations in demand for the capacity produced by the plant due to a number of factors, including market and economic conditions, delayed construction of the customer's site and competition from third parties, that may result in the Group's investment not generating the originally anticipated level of cash flows.

There can be no assurance that the Group's current or future projects will be completed in the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason.

The Group's ongoing projects are also exposed to a number of construction risks, including the following:

- major design and/or construction changes, whether caused by changes in technological demand, design defects, market conditions or other factors;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;
- default or failure by the Group's contractors to finish projects on time and within budget;
- disruption in service and access to third parties;
- delays arising from shortages and long lead times for the delivery of complex plant and equipment or defective materials;
- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances;
- unforeseeable ground conditions that cause delays and/or increase costs; and
- escalating costs of construction materials and global commodity prices.

Any of these factors could materially delay the completion of a project or materially increase the costs associated with a project.

In addition, when constructing new district cooling plants, the Group requires delivery and assembly of a range of technical equipment. Tabreed cannot provide any assurance that the Group will, in the future, be able to purchase a sufficient quantity of technical equipment to satisfy its construction targets, or that certain suppliers will not give priority to other market participants, including competitors. Any significant delay by Group's suppliers in the performance of their contractual commitments, or inability of its suppliers to meet those commitments, unavailability of components and equipment, or failure of components and equipment to meet the Group's needs and expectations could have a material adverse effect on the Group.

The Group operates in a capital intensive business and a significant increase in capital costs could materially adversely affect it

The Group has significant capital expenditure requirements and the recovery of its capital investment in district cooling plants occurs over a substantial period of time. The capital investment required to develop and construct a district cooling plant varies, based on the cost of the necessary fixed assets for the district cooling plant. The price of equipment may increase, particularly if the market demand for the equipment expands ahead of supply or the prices of key component commodities and raw materials used to build the equipment increases. Other factors affecting the amount of capital investment required include, among others, the construction costs of a district cooling plant.

Although the Group typically does not commence construction of a new plant until it has secured offtake agreements for the initial planned capacity to be produced by the plant from one or more creditworthy customers, any significant increase in the costs of developing and constructing a district cooling plant after construction has commenced could materially adversely affect the Group's anticipated returns from the plant. Material changes in the economy or in the financial performance of a customer during the construction period may adversely affect the customer's ability or incentive to perform its contractual obligations on time or at all. Additionally, because of the capital intensive nature of the Group's business and the long construction times, the Group's ability to substitute or replace a non-performing customer may take a long time or require it to incur significant new capital expenditures. See also "*—The Group's plants, pipelines and cooling infrastructure are purpose built*" below.

The due diligence process that the Group undertakes in connection with new district cooling plants and acquisitions may not reveal all relevant facts

Before deciding to construct a new district cooling plant or making an acquisition, the Group conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation. When conducting due diligence, the Group evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with the investment. Outside consultants, including legal advisers, accountants, investment banks and industry experts, are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding a new plant or potential acquisition, the Group can only rely on resources available to it, including information provided by the target of the investment where relevant and, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. The due diligence process may at times be subjective and the Group can offer no assurance that any due diligence investigation it carries out with respect to any opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Group to identify relevant facts through the due diligence process may mean that projected rates of return and other relevant factors considered by the Group in making investment decisions prove to be significantly inaccurate over time.

In addition, any acquisitions of new businesses or district cooling plants by the Group in the future carry the risk that the business or plant acquired may underperform relative to the price paid or the resources committed by the Group, the Group may not achieve anticipated cost savings or the Group may otherwise be adversely affected by acquisition-related charges. Through its acquisitions, the Group may also assume unknown or undisclosed liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While the Group seeks to mitigate these risks through, among other things, due diligence processes and indemnification provisions, the Group cannot be certain that these mitigation measures will be sufficient in all cases. These risks can be particularly significant in emerging markets, where it is difficult to assess the regulatory environment given limited history and precedent and other economic and political factors.

The Group's plants, pipelines and cooling infrastructure are purpose built

The Group builds its plants, pipelines and cooling infrastructure to meet the demands of particular customers in specific locations. If a customer defaults on its contractual obligations or abandons the building, development or project for which the district cooling system has been built, it may be difficult or impossible to use the district cooling system for alternative customers or purposes. Alternative customers may not have a similar creditworthiness, proximity to the existing plant, capacity needs, or high density demand for cooling. Even if alternative customers could be procured for a particular plant, there can be no guarantee that the contractual terms would be similar to the initial contractual terms or that the capacity charges would be as profitable or that the cost of additional capital expenditure to service the new customer could be fully recovered.

Tabreed's growth strategy may not be successfully implemented

Tabreed's growth strategy is centred around:

- targeting selective new opportunities to construct district cooling plants and networks to service landmark projects with good quality customers in the UAE and the rest of the GCC, which Tabreed pursues through its existing businesses in the UAE and other GCC countries;
- connecting new customers to existing plants and networks, where there is excess cooling capacity that can be sold to new customers as and when new buildings are constructed;

- making selective acquisitions of existing district cooling plants and networks where the opportunity is expected to provide attractive returns for the Group's shareholders; and

- possible selective expansions outside the GCC but within the MENA region and the South Asia region, for example in Egypt and India.

Tabreed cannot provide any assurance that the expansion of its operations will be successfully implemented or that it will be able to take advantage of all of the opportunities available to it. Tabreed cannot provide any assurance that it will be successful in new regional markets or that it will continue to be successful in its existing markets or find high quality creditworthy counterparties. In addition, the Group may not be able to increase its connected capacity in the GCC to meet anticipated increases in demand for district cooling services. Although Tabreed believes that the expansion and entry into new jurisdictions will contribute to its growth and future profitability, Tabreed cannot provide any assurance that it will be able to achieve all of its expected business targets or that it will achieve the same level of profitability that has been achieved historically. Tabreed has a selective growth strategy and may lose market share to competitors who are more aggressive in their expansion. An inability to meet existing demand or expand effectively also increases the possibility that competitors will be able to establish a strong presence in the GCC, which may have an adverse effect on the Group's business, financial condition or results of operations.

The Group may expand into new jurisdictions which would expose it to a range of risks associated with that expansion

The Group's strategy includes growth through targeted international investment in new district cooling plants or existing operators both in and outside the GCC. To the extent that the Group continues to expand internationally, its ability to manage its increased scope of operations and to achieve future profitability depends upon a number of factors, including its ability to:

- integrate acquired business operations into its current operations and/or implement an effective management structure given the terms of the investment (particularly in cases where the Group has only a minority interest);

- increase the scope of its management, operational and financial systems and controls to handle the increased complexity, expanded breadth and geographic area of its operations;

- recruit, train and retain qualified staff to manage and operate its growing business;

- evaluate the contractual, financial, tax, regulatory, environmental and other obligations and liabilities associated with its international acquisitions and investments, including the appropriate implementation of financial oversight and internal controls and the timely preparation of financial statements that are in conformity with the Group's accounting policies;

- identity and assess appropriate creditworthy counterparties and judge market dynamics, growth potential and the competitive environment in its target markets;

- determine, evaluate and manage the risks, including currency risks, and uncertainties in entering new markets and acquiring new businesses through its due diligence and other processes, particularly given the heightened risks in emerging markets;

- implement its short and long term strategic goals in relation to new acquisitions and joint ventures; and

- maintain and obtain necessary permits, licences and approvals from governmental and regulatory authorities and agencies.

Any difficulties in addressing these issues or integrating one or more international acquisitions could have a material adverse effect on the Group.

The Group may have material funding requirements

Tabreed's strategy envisages that the Group will grow through investing in new district cooling plants, expanding existing plants and, potentially, through acquisitions. As a result, Tabreed anticipates that the

Group will continue to incur capital and investment expenditure in future years and may have material funding needs in relation to particular projects or to refinance existing indebtedness. The Group intends to fund its future capital and investment expenditures and its financial obligations (including its obligation to make payments in respect of the Certificates) through operating cash flow, borrowings from third parties and, potentially, asset monetisations when appropriate opportunities arise and the divestment fits the Group's strategy.

The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors including general economic and market conditions, international interest rates, credit availability from banks or other lenders, investor confidence in the Group and the success of the Group's business. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or investments or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

In the event that appropriate sources of financing are not available or are only available on onerous terms and Tabreed does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect the Group's business through increased borrowing costs and reductions in capital and investment expenditure. In addition, the Group may be forced, among other measures, to do one or more of the following:

- delay or reduce capital expenditures;
- forgo business opportunities, including acquisitions and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

Tabreed's credit ratings may change and any ratings downgrade could adversely affect the value of the Certificates

Tabreed has a rating of Baa3 (with stable outlook) from Moody's and BBB (with stable outlook) from Fitch.

Tabreed cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to Tabreed by any rating agency could have a material adverse effect on the Group's cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Certificates and cause trading in the Certificates to be volatile.

The Group is exposed to a range of financial risks including, in particular, the risk of losses arising as a result of adverse changes in interest rates and credit risks on its customers and related parties

The Group's principal market risk is its exposure to the effect of increases in interest rates on its variable rate interest bearing financial liabilities. As at 31 December 2017 and after taking into account hedging instruments in the form of interest rate swaps, approximately 43 per cent. of the Group's borrowings had variable rates of interest. See note 30 to the 2017 Financial Statements which provides a sensitivity analysis in relation to the impact of reasonably possible interest rate changes on the Group's profit and which indicated that a one per cent. increase in interest rates would have had a negative effect of AED 10 million on the Group's profit for 2017, assuming that all others factors remained constant.

As at 31 December 2017, the notional amount of the Group's interest rate swaps was AED 1.8 billion and the net cash outflows from these swaps was expected to be AED 13 million during 2018 and AED 5 million in 2019 and 2020.

The Group's trade receivables and amounts due from related parties amounted to AED 351 million and AED 63 million, respectively, as at 31 December 2017. Of these amounts, AED 21 million of trade receivables was impaired and fully provided for and AED 87 million of trade receivables and amounts due from related parties was overdue by more than 60 days.

In addition, the Group is subject to liquidity risk. See generally note 30 to the 2017 Financial Statements.

The Group's business will be adversely affected if the dirham/U.S. dollar peg is removed or adjusted in a manner that adversely affects the Group

The Group maintains its accounts, and reports its results, in dirham. As at the date of this Prospectus, the dirham remains pegged to the U.S. dollar. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that adversely affects the Group.

The Group is subject to hazards that could result in liabilities, weaken its financial condition and harm its reputation

The Group's district cooling plant operations expose its employees to a wide range of hazards, including electrical lines, heavy equipment, mechanical failures, transportation accidents, industrial accidents and adverse weather conditions, and expose the Group to the risk of damage to equipment and property. These hazards can cause personal injuries and loss of life, severe damage to or destruction of property and equipment and other related damage, liability or loss and could lead to suspension of operations at one or more plants and large damages claims from customers and third parties. In addition, if serious accidents or fatalities occur, or the Group's safety record were to deteriorate, the Group may be restricted from undertaking certain operations or from bidding for certain projects and certain existing contracts could be terminated. The occurrence of accidents in the Group's business could result in significant liabilities, employee turnover, increased costs or harm its ability to perform under its contracts or enter into new contracts with customers, any of which could materially adversely affect the Group.

The Group's business involves operating hazards and its insurance may not be adequate to cover its losses

The Group's insurance is intended to cover normal risks in its current operations, including insurance for property and machinery damage, workmen's compensation and public liability. The Group's insurance policies and contractual rights to indemnity may not however adequately cover its losses, and the Group may not have insurance coverage or rights to indemnity for all risks it faces.

Pollution and environmental risks generally are subject to significant deductibles and are not completely insurable. The Group could also experience a significant accident or other event resulting in damage to its plants, projects or equipment, including, but not limited to, fire, severe weather, terrorist acts and acts of war that may not be fully covered by insurance or a recoverable indemnity from a customer. Moreover, the Group may not be able to obtain insurance for certain risks or maintain adequate insurance at rates that it considers reasonable. The Group may also choose not to insure certain risks, for example it does not currently have terrorism or country risk insurance or litigation insurance cover and it does not insure the property or premises of its customers. The occurrence of a loss or liability for which the Group is not fully insured could significantly reduce its revenue or otherwise have a material adverse effect on it.

The Group's existing policies, like all insurance policies, contain certain exclusions and limitations on coverage and some policies may not provide full insurance coverage against all potential risks related to the Group's business. In addition, the Group's insurance policies may not continue to be available and its insurers may not be able to meet all claims made against them. As a result, the Group's insurance policies may not cover the full extent of losses incurred by it. As a result, there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Group's costs which would have a material adverse effect on its business.

The Group's operations may impact the environment, and its properties may have environmental contamination, which could result in material liabilities

The nature of the Group's operations requires assuming certain risks which could cause environmental, health and safety and other damages. The Group's operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, fuel storage and air quality. The Group may be subject to claims under various environmental laws and regulations for damages, as well as for natural resource damage and the investigation and clean up of soil, surface water, groundwater and other related occurrences. Liability may be imposed without regard to fault and may be strict and/or joint and several, such that the Group may be held responsible for more than its share of any contamination or other damages, or even for the entire share, and may be unable to obtain reimbursement from the parties causing the contamination. The Group's insurance may not be sufficient or may not apply to certain types of environmental damage.

One risk that has been associated with wet cooling towers in the past in countries outside the UAE is the presence of legionnella bacteria which can cause legionnaires' disease. The Group takes all appropriate steps to manage this risk in compliance with Government regulations and to date no material levels of such bacteria have been detected in its wet cooling towers. Nevertheless, an outbreak of legionnaires' disease would impact the operations of the relevant plant and could potentially cause personal injury or death to employees and/or members of the public, which in turn would result in additional liability or loss for the Group and would have an adverse effect on cash flows relating to that plant and the Group's reputation.

The Group's business operation management systems may not be able to prevent all incidences of negligence or mistake

The Group's management systems, which cover matters including plant operation, quality, costs, health, safety and environmental protection, financial results and performance management information are essential to the effective management, progress, reliability, safety and profit margins of its operations. In particular, the reliability of the Group's services is critical to the success of its business. Accordingly, the Group must maintain effective control systems for its business operations. Effective control depends on various factors, including the mechanism of its control system, management of the individual plants, provision of sufficient training to its employees and its ability to ensure that employees adhere to its control policies and guidelines. Any negligence or mistake in operating its control systems could subject the Group to contractual and other claims. Any such claims, regardless of outcome, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations.

The Group needs permits and licences to undertake its business operations and any revocation, cancellation or non-renewal of any of these permits or licences could have a material and adverse impact on its business

The Group needs permits issued by relevant government agencies, such as environmental and civil defence agencies, and generic commercial and industrial licences to operate its district cooling plants. The Group must comply with certain restrictions and conditions to maintain its permits and licences. If the Group fails to comply with any of the conditions required for obtaining and maintaining its permits and licences, its permits and licences could be cancelled or revoked, or the renewal of its permits or licences, upon expiry of their original terms, may be delayed, which could directly and adversely impact its business operations.

Failure to comply with existing laws and regulations, or increased governmental regulation of the Group's operations, could result in substantial additional compliance costs or fines or other sanctions

Although there are currently no specific regulations relating to district cooling in any of the jurisdictions in which the Group operates, its business is subject to laws and regulations enacted by various national, regional and local governments. Such laws and regulations may relate to licensing requirements, environmental obligations, health and safety obligations and a range of other requirements, some of which may require additional capital expenditure on existing or new plants. Those laws and regulations and their interpretation and application may also change from time to time.

A number of GCC governments have announced that they are considering introducing specific district cooling regulation, although none of them has yet indicated any timetable in that connection. Although the Group believes that any regulations introduced should be generally supportive of the district cooling industry, there can be no assurance that this will be the case or that the Group will not have to incur significant compliance costs or otherwise suffer reduced revenue as a result of regulations that limit the amount or type of charges that the Group can pass on to its customers. Additionally, new regulations could create more competition through incentives or limit the Group's ability to compete or operate its business as it has in the past.

Government authorities often have the right to, and frequently do, conduct periodic inspections of the Group's operations. Any such future inspections may conclude that the Group has violated laws, decrees or regulations, and it may be unable to refute such conclusions or remedy the violations. Any failure by the Group to comply with existing laws and regulations may result in:

- significant fines or other penalties and legal liabilities, including the suspension, amendment or termination of its licences and permits, or in orders that it cease certain business activities or in material clean up costs; and

- the temporary or permanent suspension of affected plants.

Any such decisions, requirements or sanctions, or any increase in governmental regulation of the Group's operations, could increase the Group's costs and otherwise have a material adverse effect on the Group.

Existing and future environmental and climate-related laws and regulations could also require the Group, among other things, to:

- purchase, use or install expensive pollution control, reduction or remediation equipment;

- require the cooling system to be altered to include thermal storage or other efficiency measures;

- modify the Group's product designs and manufacturing processes; and/or

- incur other significant expenses, such as obtaining substitute raw materials or chemicals that may cost more or be less available for the Group's operations.

The Group's operations could be adversely affected by catastrophic events, including natural disasters, terrorist attacks or war, over which it has no control

The Group has district cooling plants in locations subject to natural disasters, such as severe weather, flooding and earthquakes as well as interruptions or shortages in the supply of utilities (such as water, electricity and gas) that could disrupt operations. The frequency and severity of natural disasters have increased in the past decade due to abnormal environmental and climate-related changes. A natural disaster or interruption in the supply of utilities that results in a prolonged disruption to any of the Group's material operations, or the operations of its material customers or suppliers, could also materially adversely affect the Group's business.

The Group may also be exposed to the effects of man made disasters including major accidents and incidents, international and regional armed conflicts, hostilities, criminal acts and acts of terrorism, all of which are beyond the Group's control. The continued threat of terrorist activity and other acts of war, or hostility, have significantly increased the risk of political, economic and social instability in the countries in which the Group operates. It is possible that acts of terrorism may occur in these countries and such acts of terrorism could be directed against the Group's property and personnel. Although, to date, the Group has not experienced any significant property losses, or material adverse effects on its results of operations or financial condition as a result of terrorism and regional political instability or war, no assurance can be given that the Group will not be affected by such events in the future.

The Group may also face civil liabilities or fines in the ordinary course of its business as a result of damage to third parties caused by natural and man made disasters. These liabilities may result in the Group being required to make indemnification payments in accordance with applicable laws to the extent and in the amount that such indemnification payments are not covered by its insurance policies.

While the Group seeks to take precautions against natural and man made disasters, maintains disaster recovery strategies and purchases levels of insurance coverage that it regards as commercially appropriate, should any damage occur and be substantial, the Group could incur losses and damages not recoverable under its insurance policies, which could have a material adverse effect on the Group.

Any failure of the Group's information technology systems or cyber-security breaches could have a material adverse effect on its business and reputation

The Group depends on its information technology ("**IT**") systems to conduct its business. The proper functioning of the Group's IT systems are critical to the Group's business and ability to compete effectively.

The Group's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. The Group has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Group's business and reputation.

The Group is also reliant on third party vendors to supply and maintain much of its IT. In the event that one or more of the third-party vendors that the Group engages to provide support and upgrades with respect to components of the Group's IT ceased operations or became otherwise unable or unwilling to meet the Group's needs, there can be no assurance that the Group would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could materially and adversely affect the Group's business and prospects.

Further, in common with other utility companies based in the GCC and elsewhere in the world, the threat to the security of the Group's information and proprietary data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require a continued focus and investment. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. Any failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could adversely affect the Group's business and reputation.

The Group's internal controls may not protect it from loss in all circumstances

The Group is exposed losses arising as a result of fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation and failure to comply with regulatory requirements, including international sanctions requirements. The Group has implemented internal risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential risks that the Group faces.

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that the internal controls implemented to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse customers who suffered loss or as a result of fines or other sanctions, and could damage the Group's reputation.

The interests of Tabreed's shareholders may, in certain circumstances, be different from the interests of the Certificateholders

Tabreed has two principal shareholders: Mubadala Development Company which owns 41.9 per cent. of its shares and an ENGIE S.A. group company which owns 40 per cent. of its shares. These two shareholders can together control the outcome of actions requiring shareholders' approval and also control the appointment of all of the members of Tabreed's board of directors (the "**Board**") and thus have the power to influence Board decisions. The interests of the Tabreed's shareholders may be different from those of Tabreed's creditors (including the Certificateholders), for example in relation to the payment of dividends.

Potential investors should also note that Tabreed's ability to carry on its business could be adversely affected if its shareholders do not agree on the Group's strategy or specific actions to be taken in furtherance of it.

The loss of certain of Tabreed's senior management or key employees may adversely affect its ability to implement its strategy

Tabreed is dependent on its skilled and experienced management team in the UAE and in the other jurisdictions in which it operates as well as on certain key technical or skilled employees. Competition for qualified personnel is intense in the Group's market. The Group faces the risk of losing employees to competitors who are able to offer more competitive compensation packages, and the Group may be unable to find replacements in a timely manner. The Group may also need to incur significant costs in training employees in order to enhance their relevant experience and specialised skills. In addition, the Group may need to improve its remuneration packages and its human resources management to improve employee retention.

The Group's business could be adversely affected if it loses the services and contributions of some of its executive or skilled personnel and is unable to adequately replace them, or if its suffer disruptions to its operations arising from labour or industrial disputes.

The Group's continued expansion may increase these pressures. The Group's future operating results will depend on its management's ability to maintain effective control over a large and diversified enterprise. If the Group is unable to recruit personnel with the necessary skills, the attention of its management could be diverted. If the Group cannot recruit and retain the employees necessary to perform all relevant business activities, its business operations may be adversely affected.

The Group may be involved in litigation from time to time

The Group may from time to time be party to legal or administrative proceedings, contract disputes or liability claims, and the Group may be named as a defendant in legal proceedings, whether related to contractual disputes or other factors in connection with the services that it undertakes in the ordinary course. Any litigation, pending, threatened or future claims against the Group and subsequent liability, warranty obligations, and other liabilities which, to the extent not covered by any applicable insurance or which exceeds such insurance limits, could result in a financial loss and, accordingly, have a material adverse impact on the Group. In addition, litigation can be lengthy to pursue, is expensive and may divert management's attention from running the business. In cases where one or more of the Group's material customers are in default or are otherwise delaying payments, enforcement, whether through litigation or negotiation, may not provide a timely remedy to enable the Group to meet its debt service requirements. There is also no certainty of a successful outcome and any unsuccessful litigation, whether as plaintiff or dependent, could result in reputational damage which could significantly adversely affect the Group.

Risks relating to the Certificates

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, or early dissolution pursuant to Conditions 10 (*Capital Distributions of the Trust)*, the sole rights of each of the Trustee, the Delegate and, through the Delegate, the Certificateholders to realise proceeds from the Trust Assets will be by way of enforcement and will be against Tabreed to perform its obligations under the Transaction Documents to which it is a party. The obligations of Tabreed under the Transaction Documents are unsecured and rank *pari passu* with Tabreed's other unsecured indebtedness. Certificateholders will otherwise have no recourse to any assets of the Delegate, Tabreed, the relevant Joint Lead Manager, the Trustee (including its directors and service providers), and the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts due under the Trust Assets. Tabreed is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and the Delegate will have direct recourse against Tabreed to recover payments due to the Trustee from Tabreed pursuant to the Transaction Documents.

No Certificateholder shall be entitled to proceed directly against the Trustee or Tabreed unless the Delegate, having become bound so to proceed, (i) fails or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, in each case, within a reasonable period and such failure or inability is continuing and there can be no assurance that the proceeds of the realisation of, or enforcement with respect to, the Trust Assets (which, as described above, will be by way of enforcing each of Tabreed's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 6(b) (*The Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents, and the sole right of the Trustee, the Delegate and the Certificateholders against Tabreed shall be to enforce the obligation of Tabreed to perform its obligations under the Transaction Documents to which it is a party.

The terms of the Certificates may be modified by a majority of Certificateholders without the consent of, or notice to, all Certificateholders

The Terms and Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders, including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Declaration of Trust and the Conditions also *provide that*, if in the opinion of the Delegate it is not materially prejudicial to the interests of the Certificateholders, the Delegate may, without the consent of Certificateholders, agree to: (i) any modification of any of the provisions of the Declaration of Trust and any other Transaction Document that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error; (ii) waive or authorise any breach or proposed breach of, any of the provisions of the Certificates; or (iii) determine without the consent of the Certificateholders that any Dissolution Event or Potential Dissolution Event shall not be treated as such, as described in Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Prospective investors should consult their legal advisers to determine whether and to what extent: (1) the Certificates are legal investments for such prospective investors; (2) the Certificates can be used as collateral for various types of borrowing; and (3) other restrictions apply to their purchase or pledge of any Certificates. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk based capital or similar rules.

Certificates with a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade

The minimum denomination of the Certificates is U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore it is possible that the Certificates may be traded in amounts in excess of such minimum denomination that are not integral multiples of U.S.$200,000. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.$200,000 would need to purchase an additional amount of Certificates such that it holds an amount equal to at least U.S.$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than U.S.$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least U.S.$200,000 in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

Credit ratings may not reflect all risks

Each of Moody's and Fitch has assigned credit ratings to Tabreed and is expected to assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

No assurance can be given as to Shari'a rules

The Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC (by majority) and the *Shari'ah* advisors of J.P. Morgan Securities plc have each issued a *fatwa* in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with *Shari'a* principles. However, a *fatwa* is only an expression of the view of the relevant *Shari'a* advisory board based on its experience in the subject and is not a binding opinion. There can be no assurance as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates and neither the Trustee, Tabreed, the Delegate nor the Joint Lead Managers makes any representation as to the same. Investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Investors are advised to obtain their own independent *Shari'a* advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the *Shari'a* permissibility of the structure or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA Rules**"). Tabreed has also agreed to submit to the jurisdiction of the courts of England, at the option of the Delegate. In such circumstances, the arbitrator or judge, as the case may be, will first apply the relevant law of the relevant Transaction Document in determining the obligation of the parties.

Shari'a requirements in relation to interest

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest under any of the Transaction Documents (whether awarded in its favour by any court in connection with any dispute under any of the Transaction Documents or otherwise). Should there be any delay in the enforcement of a judgment given against Tabreed or the performance of any of Tabreed's obligations under the Transaction Documents, interest (judgment or otherwise) may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

For the avoidance of doubt, such waiver of interest does not constitute in any way a waiver of any rights in respect of any Exercise Price, Sale Exercise Price, Change of Control Exercise Price, Optional Dissolution (Clean Up Call) Exercise Price, Relevant Amount, Required Amount, Payment Default Amount, Dissolution Amount, Partial Dissolution Amount or Periodic Distribution Amount or profit or principal of any kind howsoever described payable by National Central Cooling Company PJSC (in any capacity) or Tabreed

Sukuk SPC Limited (in any capacity) pursuant to the Transaction Documents and/or the Conditions or any other document or agreement, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures to exercise certain rights under the Certificates

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (see further, "*Form of the Certificates*"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate held through it. While the Certificates are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Certificates are represented by a Global Certificate, the Trustee will discharge its payment obligations under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. Neither the Trustee, Tabreed nor any Agent has any responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

A change of law may materially adversely affect the Certificates

The Transaction Documents and the Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of any Certificates nor whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of Tabreed to comply with its obligations under the Transaction Documents.

Investments in emerging markets are subject to greater risk than investments in more developed markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Lack of continued return following failure to make payment of the Relevant Amount

In relation to the Certificates, Tabreed will sell Plant Capacity to the Trustee which when multiplied by the Minimum Sale Price will equal an amount equal to the aggregate of (i) the face amount of the Certificates as at the Closing Date; and (ii) the aggregate of all Periodic Distribution Amounts that would be payable in respect of the Certificates during the period from (and including) the Closing Date to (and including) the Scheduled Dissolution Date (the "**Required Certificate Amount**"). In addition, and to allow the Trustee to continue to claim profit amounts from Tabreed where Tabreed fails to pay on a Dissolution Event Redemption Date the applicable Relevant Amount (or any part thereof) Tabreed will, on the Closing Date, also sell Additional Plant Capacity to the Trustee equal to 15 per cent. of the aggregate of the Allotted Plant Capacity. The sale proceeds of such Additional Plant Capacity enables profit to accrue after the Certificates become due and payable upon, and from, the relevant Dissolution Event Redemption Date up to the date on which no more Plant Capacity remains for distribution and sale under the Service Agency Agreement (being the "**Capacity End Date**") and accordingly, no profit shall accrue to Certificateholders after the Capacity End Date.

The Certificates may be subject to early dissolution

In certain circumstances the Certificates may be subject to early dissolution. In the event that the Trustee or Tabreed would be obliged to increase the amounts payable in respect of any Certificates due to certain changes affecting taxation in the DIFC, the UAE or Dubai or any political subdivision or authority therein or thereof having the power to tax as provided or referred to in Condition 11 (*Taxation*), the Trustee may redeem all but not some only of the outstanding Certificates in accordance with Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*). The Certificates may be redeemed prior to the Scheduled Dissolution Date at the option of Tabreed (in whole but not in part) in accordance with Condition 10(d) (*Capital Distributions of the Trust – Dissolution at the Option of Tabreed* (*Clean Up Call)*).

The exercise of such early redemption options is likely to limit the market value of the Certificates. Prior to or during any period when the Trustee or Tabreed may elect to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Dissolution Amount, or Partial Dissolution Amount (as applicable), payable. In circumstances where such early redemption option becomes available to the Trustee or Tabreed (as described above), the Trustee or Tabreed may be expected to exercise such early redemption option to redeem the Certificates, in particular, if, at such time, Tabreed is able to raise funds at a cost of financing which is lower than the profit rate (including such additional amounts as are referred to above) on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks relating to enforcement

Investors may experience some difficulty in enforcing arbitration awards and foreign judgments against Tabreed

The payments under the Certificates are dependent upon Tabreed making payments to the Trustee in accordance with the Transaction Documents. If Tabreed fails to do so, it may be necessary for investors to bring an action against Tabreed to enforce its obligations and/or to claim damages, as appropriate. Such action may be costly and time consuming. Tabreed is incorporated in Dubai, with its headquarters located in Abu Dhabi, and a substantial portion of the assets of Tabreed are located in the UAE. As a result, prospective investors may have difficulty effecting service of process in the United Kingdom upon Tabreed in connection with any lawsuits related to the Certificates, including actions arising under the laws of the England and Wales.

Each of the Declaration of Trust, the Agency Agreement, the Subscription Agreement, the Purchase of Services Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, each Sale Agreement entered into in connection with the Purchase Undertaking or the Sale Undertaking, each Transfer Agreement entered into in connection with the Sale Undertaking and the Certificates are governed by English law (the "**Documents**") and (subject to the exercise of an option to litigate given to certain parties (other than Tabreed)) the parties to the Documents have agreed to refer any dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA (the "**LCIA Rules**"). The seat of such arbitration shall be London, England. Pursuant to an option to litigate given to certain parties, Tabreed has agreed to submit to the jurisdiction of the courts of England in respect of any dispute arising out of or in connection with the Documents, subject to the right of the Agents, the Trustee, the Delegate, the Certificateholders and any Joint Lead Manager, as the case may be, to elect to bring proceedings in any other court or courts of competent jurisdiction. Notwithstanding that an arbitral award may be obtained from an arbitral tribunal in London or that a judgment may be obtained in an English court, there is no assurance that Tabreed has, or would at the relevant time have, assets in the United Kingdom against which such arbitral award or judgment could be enforced.

The UAE courts are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the parties' choice of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a court in the UAE may not accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, court decisions in the UAE are generally not recorded. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the UAE Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the "**Law of Civil Procedure**"). Article 238 provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the UAE courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. Therefore, there remains a risk that when faced with an action for enforcement of a foreign arbitration award under the New York Convention the UAE courts might continue to ignore Article 238 of the Law of Civil Procedure and instead apply Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the UAE courts.

Tabreed's waiver of immunity may not be effective under UAE Law

Since Tabreed is indirectly part-owned by the Government, it may be able to claim sovereign immunity. Article 247 of the Law of Civil Procedure provides that public or private assets owned by the UAE or any of the Emirates may not be confiscated. There is a risk that the assets of Tabreed may fall within the ambit of government assets and as such cannot be attached or executed upon.

Although Tabreed has irrevocably waived its right in relation to sovereign immunity, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Transaction Documents to which it is a party and the Certificates are valid and binding under UAE Law.

Risks relating to the market generally

A secondary market may not develop for any Certificates and there may be limited liquidity for Certificateholders

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold those Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the Official List and to admit them to trading on the Regulated Market but there can be no assurance that any such listing will occur on or prior to the date of this Prospectus or at all, or, if it does occur, that it will enhance the liquidity of the Certificates.

The Certificates may be subject to exchange rate risk and exchange controls

The Trustee will pay Periodic Distribution Amounts, Partial Dissolution Amounts and Dissolution Amounts on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. However, fluctuations between currencies in the past are not necessarily indicative of fluctuations that may occur in the future. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency-equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any Periodic Distribution Amount, Partial Dissolution Amounts or Dissolution Amounts on a Certificate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts. Even if there are no actual exchange controls, it is possible that U.S. dollars may not be available at such Certificate's maturity.

Risks relating to tax

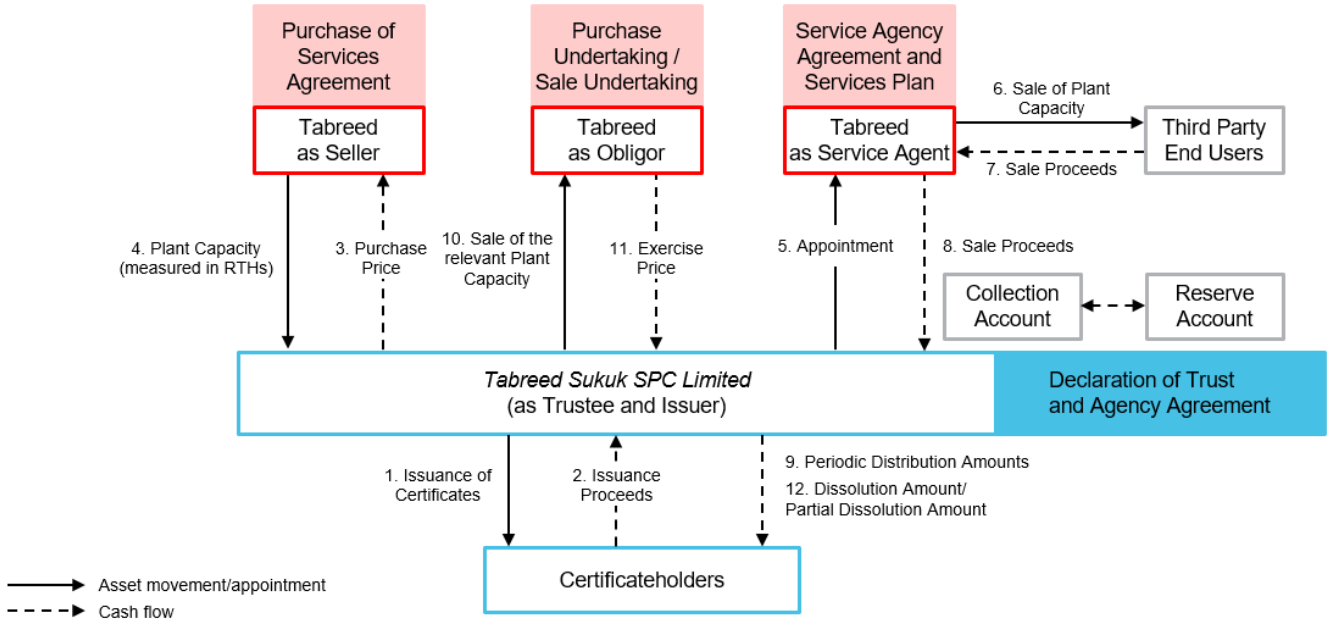
Taxation risks on payments

Payments made by Tabreed to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to withholding or deduction for or on account of taxation. The Service Agency Agreement and the Purchase Undertaking each require Tabreed to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee under those documents which are intended to fund Periodic Distribution Amounts, Partial Dissolution Amounts and Dissolution Amounts. Condition 11 (*Taxation*) provides that, subject to certain exceptions, the Trustee is required to pay additional amounts in respect of any such withholdings or deductions imposed by the DIFC and/or the UAE or Dubai in certain circumstances. In the event that the Trustee fails to gross-up for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Tabreed has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

The circumstances described above may entitle Tabreed and the Trustee to redeem the Certificates pursuant to Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*). See "*Risks relating to the Certificates – The Certificates may be subject to early dissolution*" for a description of the consequences thereof.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in Certificates discussed under "Risk Factors".



Payments by the Certificateholders and the Trustee

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee and the Trustee will, pursuant to the terms of a purchase of services agreement between the Trustee and Tabreed (the "**Purchase of Services Agreement**"), use the proceeds of the issue of the Certificates to purchase, on behalf of the Certificateholders, from Tabreed: (i) certain Plant Capacity (as defined in the Conditions) (including all rights, interests, title, benefits and entitlements, present and future, in, to and under such Plant Capacity) (the "**Allotted Plant Capacity**") which are made available to the Trustee with effect from the first day of each period identified in the Purchase of Services Agreement until the last day of each such period (each such period a "**Distribution Period**"); and (ii) certain additional Plant Capacity (including all rights, interests, title, benefits and entitlements, present and future, in, to and under such Plant Capacity) (the "**Additional Plant Capacity**") which are made available to the Trustee with effect from the first day of the last Distribution Period identified in the Purchase of Services Agreement until the last day of such Distribution Period, in each case, out of Tabreed's available capacity and from the Plant(s) identified in the Purchase of Services Agreement.

Periodic Distribution Payments and Scheduled Dissolution

Pursuant to the terms of a service agency agreement between the Trustee and Tabreed (as service agent, in such capacity, the "**Service Agent**"), the Trustee will, in relation to the Certificates, appoint Tabreed as its Service Agent to provide certain services (the "**Services**") including, but not limited to:

(a) selling the Allotted Plant Capacity in the quantity specified for each Distribution Period in the services plan relating to the Certificates (the "**Services Plan**") for a price at least equal to the minimum sale price specified in the Services Plan (the "**Minimum Sale Price**") which shall be calculated by applying the Profit Rate to the acquisition cost per RTH (as specified in the Purchase of Services Agreement); and

(b) notifying the Trustee in writing, in each case by no later than the date falling five (5) Business Days (as defined in the Conditions) prior to the end of the Distribution Period to which such Allotted Plant Capacity relates, of (i) the quantity of Allotted Plant Capacity that was not sold during the relevant Distribution Period (such unsold Allotted Plant Capacity being the "**Surplus Allotted Plant Capacity**") and (ii) any shortfall between (A) the aggregate amounts received by the Service Agent in whatever currency in respect of the sale of the relevant Allotted Plant Capacity; and (B) the aggregate of the Minimum Sale Price for such Allotted Plant Capacity, being referred to as the "**Sales Shortfall**".

The Service Agent shall credit an amount equal to the proceeds of the sale of the Allotted Plant Capacity (the "**Sales Proceeds**") into a collection account (the "**Collection Account**"). If at any time the amount credited to the Collection Account exceeds the amount of the Periodic Distribution Amount payable on the immediately following Periodic Distribution Date, or, in the case of the final Profit Period, the Final Dissolution Amount payable on the Scheduled Dissolution Date, then, the Service Agent shall be entitled to debit such excess from the Collection Account and credit it to a reserve account (the "**Reserve Account**").

The Service Agent agrees that if in respect of any Distribution Period any Allotted Plant Capacity is sold for less than the Minimum Sale Price and there is a Sales Shortfall, the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts previously deducted as required pursuant to the terms of the Service Agency Agreement, the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) the Sales Shortfall.

Under the terms of the Purchase Undertaking, Tabreed irrevocably undertakes to purchase from the Trustee any Surplus Allotted Plant Capacity for any Distribution Period on the Business Day immediately preceding the last day of that Distribution Period for an amount in U.S. dollars equal to the product of (a) the relevant Surplus Allotted Plant Capacity and (b) the Minimum Sale Price (the "**Sale Exercise Price**").

On the Scheduled Dissolution Date or the Business Day prior to each Periodic Distribution Date, the Service Agent will procure the payment to the Trustee (by way of a payment into the non-interest bearing transaction account of the Trustee, opened by the Trustee with the Principal Paying Agent, in London (the "**Transaction Account**") established for the Certificates (and as described further in the Conditions)) of the Periodic Distribution Amounts payable by the Trustee under the Certificates for that Profit Period or, in the case of the final Profit Period, the Final Dissolution Amount payable on the Scheduled Dissolution Date, and such amounts will be applied by the Trustee for that purpose on the immediately following Periodic Distribution Date or the Scheduled Dissolution Date, as the case may be. Such amounts are expected to be funded by the Sales Proceeds for that Profit Period, payment by the Service Agent of any Sales Shortfall and/or payment of any Sale Exercise Price by Tabreed, as described above.

Early Dissolution Payments

Pursuant to the terms of the Purchase Undertaking, Tabreed will irrevocably grant to the Trustee and/or the Delegate (as applicable), *inter alia*, the following rights in respect of the Certificates:

(a) following the occurrence of a Dissolution Event, to require Tabreed to purchase the aggregate Allotted Plant Capacity held by the Trustee or by Tabreed on its behalf in respect of the Certificates that has not been sold to end customers pursuant to the provisions of the Service Agency Agreement or to Tabreed pursuant to the other Transaction Documents (the "**Outstanding Plant Capacity**") and the Additional Plant Capacity from the Trustee for a price equal to the product of (a) the aggregate of the Outstanding Plant Capacity (determined as at the Dissolution Event Redemption Date) and the Additional Plant Capacity (in each case measured in RTHs) and (b) the Minimum Sale Price (the "**Exercise Price**"), which shall be credited to the Collection Account for immediate payment to the Transaction Account of an amount in cash sufficient to pay the outstanding face amount of the Certificates plus all due but unpaid Periodic Distribution Amounts; and

(b) following the exercise of the Change of Control Put Option, to require Tabreed to purchase such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing the relevant Change of Control Exercise Price by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity) (the "**Change of Control Plant Capacity**") from the Trustee for a price equal to an amount in U.S. dollars equal to the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Option plus all due but unpaid Periodic Distribution Amounts relating to such Certificates (the "**Change of Control Exercise Price**"), which shall be paid into the Transaction Account.

Pursuant to the terms of a sale undertaking granted by the Trustee in favour of Tabreed (the "**Sale Undertaking**"), the Trustee will irrevocably grant to Tabreed, *inter alia*, the following rights in respect of the Certificates:

(a) following the occurrence of a Tax Event, to require the Trustee to sell the Outstanding Plant Capacity for the Exercise Price, which shall be paid into Transaction Account; and

(b) following the exercise of the Optional Dissolution Right (Clean Up Call), to require the Trustee to sell such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing the relevant Optional Dissolution (Clean Up Call) Exercise Price by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity) (the "**Optional Dissolution (Clean Up Call) Plant Capacity**") from the Trustee for a price equal to an amount in U.S. dollars equal to the aggregate face amount of the Certificates then outstanding (which shall be no more than 20 per cent. of the aggregate face amount of the Certificates upon issue thereof on the Closing Date) and being redeemed pursuant to the Optional Dissolution Right (Clean Up Call) plus all due but unpaid Periodic Distribution Amounts relating to such Certificates (the "**Optional Dissolution (Clean Up Call) Exercise Price**"), which shall be paid into the Transaction Account.

Cancellation of Certificates held by Tabreed and/or any of its subsidiaries

Tabreed and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. Should Tabreed wish to cancel any Certificates, Tabreed may exercise its rights under the Sale Undertaking to require the Trustee to transfer to Tabreed such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing the aggregate face amount of the relevant Certificates tendered for cancellation by Tabreed or its Subsidiaries (the "**Cancellation Certificates**") plus all due but unpaid Periodic Distribution Amounts relating to such Cancellation Certificates by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity) in consideration for the cancellation of the Cancelled Certificates in accordance with the Conditions.

FORM OF THE CERTIFICATES

The Certificates will be in registered form and will be issued outside the United States in reliance on the exemption from registration provided by Regulation S.

Global Certificate

Form of Certificates

The Certificates, which will be sold to persons who are not U.S. persons outside the United States, will initially be represented, on issue, by beneficial interests in a global certificate in registered form (a "**Global Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Certificates, beneficial interests in a Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Form, Denomination and Title)* and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Global Certificate will bear a legend regarding such restrictions on transfer.

The Global Certificate will be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Persons holding beneficial interests the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments

Each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which Euroclear and Clearstream, Luxembourg are open for business. None of the Trustee, Tabreed, the Delegate, the Principal Paying Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen (14) days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or (ii) the Trustee has or will become subject to adverse tax consequences which would not be suffered were the Certificates represented by Certificates in definitive form and a certificate to that effect signed by two Directors of the Trustee is given to the Delegate. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (i) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten (10) days after the date of receipt of the first relevant notice by the Registrar.

Meetings

The holder of Certificates represented by a Global Certificate shall (unless such Global Certificate represents only one Certificate) be treated as being two persons for the purposes of any quorum requirements of a meeting of Certificateholders. All Certificateholders are entitled to one vote in respect of each integral currency unit of the Certificates comprising such Certificateholder's holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Certificate represented by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the aggregate face amount of the Global Certificate in the relevant register of the Certificateholders, whereupon the face amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Put options

The Change of Control Put Option may be exercised by the holder of the Global Certificate giving notice to the Registrar or the Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*).

Notices

So long as any Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the third day after the day on which such notice is delivered to the relevant clearing system as aforesaid. The Trustee shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Certificates are for the time being, or by which they have for the time being been, admitted to trading.

Transfer of Interests

No beneficial owner of an interest in a Global Certificate will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and/or Clearstream, Luxembourg.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates which will be incorporated by reference into the Global Certificate and each Definitive Certificate or endorsed thereon or attached thereto.

The U.S.$500,000,000 trust certificates due 2025 (the "**Certificates**") of Tabreed Sukuk SPC Limited (in its capacity as issuer, the "**Issuer**" and as trustee, the "**Trustee**") are constituted by a declaration of trust (the "**Declaration of Trust**") dated 31 October 2018 (the "**Closing Date**") entered into between the Trustee, National Central Cooling Company PJSC ("**Tabreed**") and HSBC Corporate Trustee Company (UK) Limited as donee of certain powers and as the delegate of the Trustee pursuant to the Declaration of Trust (the "**Delegate**").

Each Certificate represents a *pro rata* undivided ownership interest in the Trust Assets (as defined below) held on trust by the Trustee (the "**Trust**") for the Certificateholders pursuant to the Declaration of Trust. In these terms and conditions (the "**Conditions**"), references to "Certificates" shall include references to the Certificates (whether in global form (a "**Global Certificate**") or in definitive form as definitive Certificates (each a "**Definitive Certificate**")).

These Conditions include summaries of, and are subject to, the detailed provisions of the Declaration of Trust and the other Transaction Documents (as defined below). Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the "**Agency Agreement**") made between, *inter alios*, the Trustee, the Delegate, Tabreed, HSBC Bank plc as initial principal paying agent and the other agents named therein. The principal paying agent, the paying agents, the registrar and the transfer agent for the time being (if any) are referred to below respectively as the "**Principal Paying Agent**", the "**Paying Agents**" (which expression shall include the Principal Paying Agent), the "**Registrar**", the "**Transfer Agent**" (and together referred to in these Conditions as the "**Agents**"). References to the Agents or any of them shall include their successors.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the following documents as each may be amended and restated and/or supplemented from time to time, copies of which are available for inspection and/or collection upon reasonable notice and during usual business hours at the principal office of the Trustee and at the specified offices of the Principal Paying Agent (presently at HSBC Bank plc, 8 Canada Square, London, E14 5HQ, United Kingdom):

(a) a purchase of services agreement between the Trustee (in its capacity as purchaser) and Tabreed (in its capacity as seller) dated the Closing Date (the "**Purchase of Services Agreement**");

(b) a service agency agreement between the Trustee (in its capacity as Trustee) and Tabreed (in its capacity as distributor) dated the Closing Date (the "**Service Agency Agreement**") and the Services Plan (as defined in the Service Agency Agreement);

(c) a purchase undertaking granted by Tabreed in favour of the Trustee and the Delegate dated the Closing Date (the "**Purchase Undertaking**") including the form of the Sale Agreement (as defined herein);

(d) a sale undertaking granted by the Trustee in favour of Tabreed dated the Closing Date (the "**Sale Undertaking**") including the form of the Sale Agreement (as defined herein);

(e) the Declaration of Trust; and

(f) the Agency Agreement.

Each Certificateholder, by its acquisition and holding of Certificates, shall be deemed to authorise and direct the Trustee on behalf of the Certificateholders: (a) to apply the proceeds of the issuance to purchase from Tabreed, pursuant to the terms of the Purchase of Services Agreement, all of Tabreed's interests, rights, title, benefits and entitlements in, to and under the Plant Capacity identified in the Purchase of Services Agreement; (b) to supply to Tabreed such assets, pursuant to the terms of the Service Agency Agreement and the Services Plan; and (c) to enter into each other Transaction Document to which it is a party, subject to the terms and conditions of the relevant Declaration of Trust and these Conditions.

1. INTERPRETATION

In these Conditions the following expressions have the following meanings:

"**Accountholder**" means each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as entitled to a particular face amount of the Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);

"**BTU**" means British Thermal Unit;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City, Abu Dhabi and London;

"**Capacity End Date**" means, in the event of a failure by Tabreed to pay the Relevant Amount to the Transaction Account on the Dissolution Event Redemption Date pursuant to the terms of the Service Agency Agreement, the date upon which no more Plant Capacity remains for distribution and sale under the Service Agency Agreement;

"**Certificates Exercise Price**" means, as the context may require, the Exercise Price, the Sale Exercise Price, the Change of Control Exercise Price payable following due exercise of the Purchase Undertaking or the Exercise Price or Optional Dissolution (Clean Up Call) Exercise Price payable following due exercise of the Sale Undertaking and, in each case, the amount as specified in the relevant Exercise Notice delivered pursuant to the Purchase Undertaking or Sale Undertaking (as applicable);

"**Certificateholder**" means a person in whose name a Certificate is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Certificates are represented by a Global Certificate, each Accountholder shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of such Global Certificate in accordance with and subject to the terms of the Declaration of Trust and such Global Certificate, and the expressions "**holder**", "**Certificateholder**" and "**holder of Certificates**" and related expressions shall (where appropriate) be construed accordingly;

"**Change of Control Amount**" means the Partial Dissolution Amount;

a "**Change of Control Event**" has the meaning given to it in Condition 10(c) (*Capital Distribution of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option)*;

"**Change of Control Full Put Date**" has the meaning given to it in Condition 10(c) (*Capital Distribution of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*);

"**Change of Control Partial Put Date**" means a Change of Control Put Option Date which is not a Change of Control Full Put Date;

"**Change of Control Put Option**" means the put option described in Condition 10(c) (*Capital Distribution of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*);

"**Change of Control Put Option Date**" has the meaning given to it in Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*);

"**Change of Control Put Period**" has the meaning given to it in Condition 10(c) (*Capital Distribution of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*);

"**Clearstream, Luxembourg**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Corporate Service Provider**" means Maples Fund Services (Middle East) Limited;

"**Corporate Services Agreement**" means the corporate services agreement dated 9 October 2018 entered into between the Trustee and the Corporate Service Provider;

"**Delegation**" has the meaning given to it in Condition 19 (*The Delegate*);

"**Determination Date**" means each Periodic Distribution Date;

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"**Dispute**" has the meaning given to it in Condition 21 (*Governing Law and Dispute Resolution*);

"**Dissolution Amount**" means the Final Dissolution Amount and the Tax Redemption Amount;

"**Dissolution Date**" means, as the case may be:

(a) the Scheduled Dissolution Date;

(b) the Tax Redemption Date;

(c) the Change of Control Full Put Date;

(d) the Optional Dissolution Clean Up Call Date;

(e) the date on which all of the Certificates outstanding are cancelled following the purchase of such Certificates by or on behalf of Tabreed and or any of its Subsidiaries pursuant to Condition 13(a) (*Purchase and Cancellation of Certificates – Purchases*); and

(f) the Dissolution Event Redemption Date;

"**Dissolution Event**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**Dissolution Request**" has the meaning given to it in Condition 14 (*Dissolution Events*);

"**EBITDA**" means, in respect of any period, profit in respect of such period, plus; (i) finance costs (net of interest income); (ii) income tax (if any); and (iii) depreciation and amortisation, including amortisation of finance leases under a concession agreement or other operating lease required to be treated as a finance lease by the Group under IFRS 16 – Leases, in each case in respect of such period and at any time; (a) in relation to Tabreed, shall be calculated by reference to the relevant amounts shown in the then latest audited consolidated financial statements of Tabreed; and (b) in relation to any Subsidiary, shall be calculated by reference to the relevant amounts (consolidated in the case of a Subsidiary which itself has subsidiaries) shown in the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary, *less*: share of profit / (loss) from associates and joint ventures;

"**Euroclear**" has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

"**Exercise Notice**" means (as the context requires) an exercise notice delivered or to be delivered in connection with the Purchase Undertaking or Sale Undertaking;

"**Extraordinary Resolution**" has the meaning given to it in schedule 3 (*Provisions for Meetings of Certificateholders*) to the Declaration of Trust;

"**Final Dissolution Amount**" means, in respect of redemption of all Certificates outstanding, in respect of each such Certificate being redeemed, the sum of:

(a) the outstanding face amount of such Certificate; and

(b) any accrued but unpaid Periodic Distribution Amounts for such Certificate to but excluding the relevant Dissolution Date;

"**FSMA**" means the Financial Services and Markets Act 2000, as amended;

"**Indebtedness**" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any *Shari'a*-compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the group to another member of the Group;

"**Liability**" means, in respect of any person, any actual loss, damage, cost, charge, award, claim, demand, expense, judgment, action, proceeding or other liability whatsoever and including any value added tax or similar tax charged or chargeable in respect of any sums referred to in this definition and legal or other fees and expenses on a full indemnity basis and references to "**Liabilities**" shall mean all of these;

"**Material Subsidiary**" means any Subsidiary:

(a) whose EBITDA (consolidated in the case of a Subsidiary which itself has subsidiaries) or whose Total Assets (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 10 per cent. of the consolidated EBITDA of Tabreed, or, as the case may be, the consolidated Total Assets of Tabreed, as the case may be; and/or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon; (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, ***provided that*** on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a),

provided that if any acquisition or disposal has occurred after the end of the financial period to which the then latest audited consolidated financial statements of Tabreed relate, in applying each of the above tests the reference in the relevant defined terms to the latest audited consolidated financial statements shall be deemed to be a reference to such audited consolidated financial statements as if the relevant acquisition or disposal had been reflected in such audited consolidated financial statements by reference (where applicable) to any relevant Subsidiary's then latest relevant financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries).

"**Optional Dissolution Clean Up Call Date**" means the date specified in the notice delivered by Tabreed to the Trustee in accordance with Condition 10(d) (*Capital Distributions of the Trust – Dissolution at the Option of Tabreed (Clean Up Call)*) in connection with the exercise of the Optional Dissolution Right (Clean Up Call);

"**Optional Dissolution Right (Clean Up Call)**" means the right specified in Condition 10(d) (*Capital Distributions of the Trust – Dissolution at the Option of Tabreed (Clean Up Call)*);

"**Outstanding Amount**" means, at any given time, the aggregate face amount of the Certificates outstanding at that time;

"**Partial Dissolution Amount**" means, in respect of redemption of some but not all Certificates outstanding, in respect of each such Certificate being redeemed, the sum of:

(a) the outstanding face amount of such Certificate; and

(b) any accrued but unpaid Periodic Distribution Amounts for such Certificate to but excluding the relevant Change of Control Partial Put Date;

"**Periodic Distribution Amount**" has the meaning given to it in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*);

"**Periodic Distribution Date**" has the meaning given to it in Condition 8(a) (*Periodic Distribution Provisions – Periodic Distribution Amount*);

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Plant(s)**” means any district cooling plant and associated infrastructure owned or operated by Tabreed in the United Arab Emirates;

“**Plant Capacity**” means certain rights and services (measured in RTHs) comprising the following:

(a) the cooling energy produced and distributed using any one or more of the Plants; and

(b) all services ordinarily provided by Tabreed to its customers in connection with (a) above,

in each case subject to and in accordance with Tabreed’s Terms of Business;

“**Proceedings**” has the meaning given to it in Condition 21 (*Governing Law and Dispute Resolution*);

“**Profit Rate**” means 5.500 per cent. per annum;

“**Record Date**” has the meaning given to it in Condition 9(a)(iii)(*Payment – Payments in respect of Certificates*);

“**Register**” has the meaning given to it in Condition 2(a) (*Form, Denomination and Title – Form and Denomination*);

“**Regulation S**” means Regulation S as defined in the Securities Act;

“**Relevant Date**” has the meaning given to it in Condition 11 (*Taxation*);

“**Relevant Jurisdiction**” has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

“**Relevant Powers**” has the meaning given to it in Condition 19 (*The Delegate*);

“**Reserved Matter**” has the meaning given to it in schedule 3 (*Provisions for Meetings of Certificateholders*) of the Declaration of Trust;

“**Return Accumulation Period**” means the period beginning on (and including) a Periodic Distribution Date (or, in the case of the first Return Accumulation Period, the Closing Date) to (but excluding) the next (or, in the case of the first Return Accumulation Period, the first) Periodic Distribution Date;

“**RTHs**” means refrigeration tons per hour, a measured unit of energy consumption equivalent to 12,000 BTUs;

“**Rules**” has the meaning given to it in Condition 21 (*Governing Law and Dispute Resolution*);

“**Sale Agreement**” means any sale agreement entered into in connection with the Purchase Undertaking or, as the case may be, any sale or transfer agreement entered into in connection with the Sale Undertaking;

“**Scheduled Dissolution Date**” means 31 October 2025;

“**Securities Act**” means the United States Securities Act of 1933, as amended;

“**Security Interest**” has the meaning given to it in Condition 5 (*Negative Pledge*);

“**Service Agent**” means Tabreed in its capacity as distributor under the Service Agency Agreement;

“**Subsidiary**” has the meaning given to it in Condition 5 (*Negative Pledge*);

“**Tabreed Event**” has the meaning given to it in Condition 14 (*Dissolution Events*);

“**Tax Event**” has the meaning given to it in Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

“**Taxes**” has the meaning given to it in Condition 11 (*Taxation*);

“**Tax Redemption Amount**” means the Final Dissolution Amount;

"**Tax Redemption Date**" means the date specified as such in the Exercise Notice delivered by Tabreed to the Trustee in accordance with Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*);

"**Terms of Business**" means the terms of business applied by Tabreed from time to time to Plant Capacity generally and in accordance with its customary operating procedures;

"**Transaction Account**" means the non-interest bearing account in the name of the Trustee, opened with the Principal Paying Agent, in London, into which amounts due and payable to the Trustee under the Transaction Documents are payable;

"**Transaction Documents**" means the Purchase of Services Agreement, the Service Agency Agreement and the Services Plan, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement and any Sale Agreement; and

"**Trust Assets**" has the meaning given to it in Condition 6(a) (*Trust – Trust Assets*).

2. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Certificates are issued in registered form in face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

A Definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Definitive Certificate and in the register of Certificateholders which the Trustee will cause to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

*Upon issue, the Certificates will be represented by a Global Certificate in registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Certificates which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream Luxembourg.*

(b) Title

Title to the Certificates passes only by registration in the Register. Subject to the terms of the Global Certificate and/or the definition of "**Certificateholders**", the registered holder of any Definitive Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Definitive Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Definitive Certificate) and no person will be liable for so treating the holder of any Definitive Certificate. The registered holder of a Definitive Certificate will be recognised by the Trustee as entitled to his Definitive Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Definitive Certificate.

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by a clearing system as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, Tabreed and the Agents as the holder of such face amount of such Certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Delegate, Tabreed and any Agent as *the holder of such face amount of such Certificates in accordance with and subject to the terms of the Global Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Certificates and related expressions shall be construed accordingly.*

In determining whether a particular person is entitled to a particular face amount of Certificates as aforesaid, each of the Trustee and the Delegate may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Each holder must look solely to Euroclear or Clearstream, Luxembourg for its share of each payment made to the registered holder of the Global Certificate.

3. TRANSFERS OF CERTIFICATES

(a) Transfers

Subject to Condition 3(d) (*Transfers of Certificates – Closed Periods*), Condition 3(e) (*Transfers of Certificates – Regulations*), and the provisions of the Agency Agreement, a Definitive Certificate may be transferred in whole or in an amount equal to U.S.$200,000 or any integral multiple thereof by depositing the Definitive Certificate, with the form of transfer on the back, duly completed and signed, at the specified office of the Transfer Agent together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in a Global Certificate will be effected by Euroclear or Clearstream, Luxembourg and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Certificates only in an amount equal to U.S.$200,000 or any integral multiple thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

(b) Delivery of New Certificates

Each new Definitive Certificate to be issued upon any transfer of Certificates will, within ten (10) business days of receipt by the Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Definitive Certificate to the address specified in the form of transfer. For the purposes of this Condition 3(b) (*Transfers of Certificates – Delivery of New Certificates*), "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Definitive Certificate is issued are to be transferred, a new Definitive Certificate in respect of the Certificates not so transferred will, within ten (10) business days of receipt by the Transfer Agent of the original Definitive Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Global Certificate will not be entitled to receive physical delivery of Certificates.

(c) Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge on behalf of the Trustee by the Registrar or the Transfer Agent but upon payment (or the giving of such indemnity as the Trustee, Registrar or Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

(d) Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of fifteen (15) days ending on (and including) the due date for any payment of the Dissolution Amount, Partial Dissolution Amount or any Periodic Distribution Amount or any other date on which payment of the face amount or payment of any profit in respect of a Certificate falls due.

(e) Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

Unless otherwise requested by him, each Certificateholder shall be entitled to receive, in accordance with Condition 2(b) (*Form, Denomination and Title – Title*), only one Definitive Certificate in respect of his or her entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Definitive Certificate, a new Definitive Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3(b) (*Transfers of Certificates – Delivery of New Certificates*).

4. STATUS AND LIMITED RECOURSE

(a) Status

Each Certificate represents an undivided ownership interest in the Trust Assets (pursuant to the Declaration of Trust) and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without preference or priority, with all other Certificates.

The payment obligations of Tabreed (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided for by applicable legislation and subject to the negative pledge provisions in Condition 5, at all times rank at least equally with all other unsecured and unsubordinated obligations of Tabreed present and future.

(b) Limited Recourse

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The Certificates do not represent an interest in or obligation of any of the Trustee (other than in respect of the Trust Assets), the Delegate, Tabreed (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party) or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets of the Trustee (and/or its directors, officers, administrators or shareholders) or Tabreed (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party) or the Delegate or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted in accordance with the Transaction Documents, following which all obligations of the Trustee, the Delegate, Tabreed and their respective affiliates shall be extinguished.

Tabreed is obliged to make payments under the relevant Transaction Documents to which it is a party directly to the Trustee for and on behalf of the Certificateholders. The Trustee and the

Delegate (acting in the name of the Trustee, for and on behalf of the Certificateholders) have direct recourse against Tabreed to recover payments due but unpaid to the Trustee from Tabreed pursuant to such Transaction Documents. Neither the Trustee nor the Delegate shall be liable for the late, partial or non-recovery of any such payments from Tabreed save in the case of its wilful default or actual fraud.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 15 (*Enforcement and Exercise of Rights*), Certificateholders will not have any claim against the Trustee (and/or its directors, officers or shareholders), Tabreed (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates, or against any of their respective assets (other than the Trust Assets) in respect of such shortfall and any unsatisfied claims of the Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee (and/or its directors), Tabreed (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

(c) Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that, notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

(i) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name of the Trustee, for and on behalf of the Certificateholders) or any of their respective shareholders, members, officers, employees, agents or directors on their behalf except to the extent funds are available therefor from the Trust Assets;

(ii) no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its shareholders, members, officers, employees, agents, directors or corporate services provider), Tabreed (to the extent that it fulfils its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, Tabreed, any Agents and their respective agents or affiliates shall be extinguished;

(iii) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, no Certificateholder will institute against, nor join with any other person in instituting against, the Trustee (and/or its directors) any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

(iv) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation, covenant or agreement of the Trustee contained in these presents or any Transaction Document shall be had against any shareholder, member, officer, agent, director or corporate services provider of the Trustee (in their capacity as such) by virtue of any customary law, statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, employees, agents, directors or corporate services provider of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

(v) no Certificateholder shall be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates.

5. NEGATIVE PLEDGE

Tabreed undertakes in the Declaration of Trust that so long as any Certificate remains outstanding (as defined in the Declaration of Trust), Tabreed will not, and will ensure that none of its Material Subsidiaries will, create or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to its payment obligations to the Trustee under the Transaction Documents to which it is a party the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity, or such other security as either: (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of the Certificateholders; or (ii) shall be approved by an Extraordinary Resolution of the Certificateholders.

In these Conditions:

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be paid in an arm's-length transaction between an independent, informed and willing seller under no compulsion to sell and an independent, informed and willing buyer under no compulsion to buy;

"**Non-recourse Project Financing**" means any financing of all or part of the costs of the acquisition, construction or development of any project, *provided that*:

(a) any Security Interest given by Tabreed in connection therewith is limited solely to the assets of the project;

(b) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and

(c) there is no other recourse to Tabreed in respect of any default by any Person under the financing;

"**Permitted Security Interest**" means:

(a) any Security Interest existing on the date on which agreement is reached to issue the Certificates;

(b) any Security Interest securing Relevant Indebtedness or a Relevant Sukuk Obligation of a Person existing at the time that such Person is merged into, or consolidated with, Tabreed, *provided that* such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of Tabreed;

(c) any Security Interest existing on any property or assets prior to the acquisition thereof by Tabreed and not created in contemplation of such acquisition;

(d) any Security Interest granted to secure a Non-recourse Project Financing or to secure any indebtedness incurred in connection with a Securitisation;

(e) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (d) (inclusive) of this definition, *provided that* with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets); or

(f) any Security Interest in respect of any Relevant Indebtedness or Relevant Sukuk Obligation not otherwise permitted under any other paragraph of this definition, *provided that* the aggregate outstanding amount secured thereby shall not at any time exceed an amount equal to 10 per cent. of the Total Assets of Tabreed;

"**Relevant Indebtedness**" means any indebtedness, other than indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, certificates, debentures, loan stock or other securities which for the time being are, or are intended to be, or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Relevant Sukuk Obligation**" means any present or future undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind, other than any such obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, *provided that*:

(a) any Security Interest given by Tabreed in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;

(b) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and

(c) there is no other recourse to Tabreed in respect of any default by any Person under the securitisation;

"**Subsidiary**" means, at any particular time, any company which is then directly or indirectly controlled, or more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by Tabreed. For a company to be "**controlled**" by Tabreed means that Tabreed (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls, or has the power to control, the affairs and policies of that company; and

"**Total Assets**" means at any time: (i) in relation to Tabreed, the consolidated total assets of Tabreed, calculated by reference to the then latest audited or auditor reviewed consolidated financial statements of Tabreed; (ii) in relation to any Subsidiary, the total assets (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary calculated by reference to the then latest financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary, *provided that* for this purpose, in calculating the amount of the total assets of any Subsidiary of Tabreed, any receivables due from Tabreed or any other Subsidiary shall be excluded and *provided further that* if at any time the relevant financial statements do not include a line item for "total assets", the relevant amount shall be the aggregate value of all assets of Tabreed or the relevant Subsidiary (consolidated or, as the case may be, unconsolidated) which are treated as assets in accordance with IFRS, as shown in the most recently available audited or auditor reviewed consolidated financial statements of Tabreed or the relevant Subsidiary prepared in accordance with IFRS or, if no such value is specified in those financial statements, the Fair Market Value of such assets.

6. THE TRUST

(a) **Trust Assets**: Pursuant to the Declaration of Trust, the Trustee has declared that it will hold the Trust Assets upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder. The term "**Trust Assets**" means:

(i) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(ii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Plant Capacity which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Transaction Documents;

(iii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Tabreed to the Trustee and/or the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee and/or the Delegate pursuant to clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and

(iv) all monies standing to the credit of the relevant Transaction Account from time to time,

and all proceeds of the foregoing.

See "Structure Diagram and Cash Flows" and "Summary of Principal Transaction Documents" in the Prospectus for detail on the Transaction Documents.

(b) **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date, Change of Control Partial Put Date, Dissolution Date or any earlier date specified for the dissolution of the Trust in accordance with Condition 10 (*Capital Distributions of the Trust*), as applicable, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

(i) *first*, (to the extent not previously paid) to pay the Delegate all amounts owing or payable to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other appointee in respect of the Trust by the Delegate in accordance with the Declaration of Trust;

(ii) *second*, (to the extent not previously paid) to pay *pro rata* and *pari passu*: (i) the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) the Corporate Service Provider in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as Corporate Service Provider; and (iii) each Agent in respect of all amounts owing to such Agent on account of its properly incurred fees, costs, charges and expenses and the payment or satisfaction of any liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;

(iii) *third*, for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(iv) *fourth*, only if such payment is made on a Change of Control Partial Put Date for application in or towards payment of the relevant Partial Dissolution Amount;

(v) *fifth*, only if such payment is made on a Dissolution Date, for application in or towards payment of the relevant Dissolution Amount; and

(vi) *sixth*, only if such payment is made on a Dissolution Date, payment of any residual amount to Tabreed in its capacity as Service Agent under the Service Agency Agreement as an Incentive Payment (as defined in the Services Agency Agreement) for its performance.

7. COVENANTS

7.1 Covenants of the Trustee

The Trustee covenants that, among other things, for so long as any Certificate is outstanding (as defined in the Declaration of Trust), it shall not:

(a) incur any indebtedness in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;

(b) grant or permit to be outstanding any lien, pledge, charge or other security interest over any of its present or future indebtedness for borrowed money or upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) (other than under or pursuant to any of the Transaction Documents));

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to the relevant Transaction Documents;

(d) subject to Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*) and the Declaration of Trust, amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;

(e) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(f) have any subsidiaries or employees;

(g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(i) prior to the date which is one year and one day after the date on which the Trust is dissolved, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party and the Corporate Services Agreement or as expressly permitted or required thereunder or engage in any business or activity other than:

(i) as provided for or permitted in the Transaction Documents;

(ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.

7.2 Financial Covenants of Tabreed

Tabreed has undertaken in the Declaration of Trust that for so long as any Certificate is outstanding, it shall not, and shall not permit any of its Subsidiaries to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "**Incur**" or, as appropriate, an "**Incurrence**") any Financial Indebtedness (other than Permitted Financial Indebtedness); *provided that* Tabreed and its Subsidiaries will be permitted to Incur additional Financial Indebtedness if:

(a) no Dissolution Event has occurred and is continuing or would occur as a consequence of such Incurrence;

(b) on the date of such Incurrence the ratio of Consolidated Total Net Indebtedness at the end of the immediately preceding Measurement Period to Total Equity at the end of such Measurement Period does not exceed a ratio of 1:1; and

(c) on the date of such Incurrence the ratio of Consolidated EBITDA for the immediately preceding Measurement Period to Consolidated Net Finance Costs for such Measurement Period is not less than a ratio of 1.5:1.

The provisions of this Condition 7.2 shall not apply for so long as Tabreed has Investment Grade Status. However, the provisions of Condition 7.2 shall immediately apply if and for so long as Tabreed ceases to have Investment Grade Status.

In these Conditions:

"**Borrowings**" means, at any time, the outstanding principal, capital or nominal amount and any fixed or minimum premium payable on prepayment or redemption of any indebtedness for or in respect of Financial Indebtedness determined by reference to the most recent consolidated audited financial statements of the Group and, for the purposes of the definition of "Consolidated Total Net Indebtedness" only, taking account of the Incurrence or repayment of any Borrowings since that date, ***provided that*** Borrowings shall not include any indebtedness in respect of letters of credit, bid bonds or performance guarantees issued in the ordinary course of business to the extent such letters of credit or performance guarantees are not drawn upon or, if drawn upon, are honoured in accordance with their terms;

"**Consolidated Cash and Cash Equivalents**" means, at any time:

(a) cash in hand or on deposit with any acceptable bank;

(b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;

(c) any investment in marketable obligations issued or guaranteed by the government of the United States of America or the United Kingdom or any other government of a state having an equivalent credit rating (an "**Acceptable Government**") or by an instrumentality or agency of an Acceptable Government having an equivalent credit rating;

(d) open market commercial paper:

  (i) for which a recognised trading market exists;

  (ii) issued in the United States of America or the United Kingdom;

  (iii) which matures within one (1) year after the relevant date of calculation; and

  (iv) which has a credit rating of either A-1 by S&P or Fitch or P-1 by Moody's, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; or

  (e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank or any dematerialised equivalent, in each case, to which any member of the Group is beneficially entitled at that time. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB minus or higher by S&P or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

"**Consolidated EBIT**" means, in respect of any Measurement Period, the consolidated operating profit of the Group before taxation:

(a) before deducting any Consolidated Finance Costs;

(b) not including any accrued interest owing to any member of the Group;

(c) before taking into account any Exceptional Items;

(d) after deducting the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the most recently available audited consolidated financial statements of Tabreed exceeds the amount actually received in cash by members of the Group through distributions by the Non-Group Entity; and

(e) before taking into account any unrealised gains or losses on any financial instrument (other than any derivative instrument which is accounted for on a hedge accounting basis),

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;

"**Consolidated EBITDA**" means, in relation to any period, Consolidated EBIT for the immediately preceding Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Group (and taking no account of the reversal of any previous impairment charge made in that period);

"**Consolidated Finance Costs**" means, for any period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Borrowings whether such amounts were paid or payable (but excluding any such amounts which were capitalised) by any member of the Group (calculated on a consolidated basis) during the immediately preceding Measurement Period:

(a) including any amortised upfront management or arrangement fees or costs;

(b) including the interest (but not the capital) element of payments in respect of Finance Leases;

(c) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any member of the Group under any interest rate hedging arrangement (other than an amount payable on the termination of any interest rate hedging agreement); and

(d) excluding any dividends on preference shares, so that no amount shall be added (or deducted or excluded) more than once;

"**Consolidated Interest Receivable**" means, in respect of any period, all interest and other financing charges received or receivable by the Group during the immediately preceding Measurement Period calculated on a consolidated basis;

"**Consolidated Net Finance Costs**" means, in respect of any period, Consolidated Finance Costs for the immediately preceding Measurement Period less Consolidated Interest Receivable for the immediately preceding Measurement Period calculated on a consolidated basis;

"**Consolidated Total Net Indebtedness**" means at any time the aggregate amount of all obligations of the Group for or in respect of Borrowings but deducting the aggregate amount of Consolidated Cash and Cash Equivalents held by the Group at such time, and so that no amount shall be included or excluded more than once;

"**Exceptional Items**" means any material items of an unusual or non-recurring nature which represent gains or losses including those arising on:

(a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;

(b) disposals, revaluations or impairments of non-current assets; and

(c) disposals of assets associated with discontinued operations;

"**Finance Lease**" means any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, sukuk, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis) or where recourse is limited to customary warranties and indemnities;

(f) any amount raised under any other transaction (including any *Shari'a*-compliant financing, Securitisation and any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close out of that derivative transaction, that amount) shall be taken into account);

(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person that is not a member of the Group and which liability would fall within one of the other paragraphs of this definition; and

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) (inclusive) above but without double counting where Financial Indebtedness is both borrowed and guaranteed (or indemnified against) by different Group companies;

"**Group**" means Tabreed and its Subsidiaries taken as a whole;

"**IFRS**" means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re issued from time to time);

"**Investment Grade Rating**" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by Fitch; or (iii) BBB- (or the equivalent) by S&P, or in each case the equivalent thereof from any other Rating Agency (as applicable);

"**Investment Grade Status**" means that Tabreed has an Investment Grade Rating from at least two Rating Agencies;

"**Measurement Period**" means a period of 12 months ending on: (i) the last day of the most recently completed financial year of Tabreed for which consolidated audited financial statements were prepared; and (ii) if consolidated reviewed interim financial statements of Tabreed are published, the last day of the relevant period in respect of which such financial statements were prepared;

"**Non-Group Entity**" means any investment or entity (which is not itself a member of the Group (including associates and joint ventures)) in which any member of the Group has an ownership interest;

"**Permitted Financial Indebtedness**" means:

(a) any Financial Indebtedness outstanding on the Closing Date;

(b) any Financial Indebtedness owed by Tabreed or any Subsidiary of Tabreed to Tabreed or any other Subsidiary of Tabreed; ***provided, however, that*** any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to Tabreed or a Subsidiary of Tabreed) shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;

(c) any Financial Indebtedness of Tabreed or a Subsidiary of Tabreed Incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of Tabreed (other than Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of Tabreed);

(d) any amounts owed to suppliers in respect of goods or services supplied in the ordinary course of business;

(e) any amounts owed in respect of transactions entered into (including, without limitation, letters of credit, bid bonds or performance guarantees) to facilitate trade finance in the ordinary course of business;

(f) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (d) and (e) (inclusive); and

(g) any payment obligation of Tabreed in respect of its Financial Indebtedness which ranks, or is expressed to rank, subordinate or junior to the payment obligations of Tabreed under the Transaction Documents to which it is a party;

"**Rating Agencies**" means (i) Moody's, (ii) Fitch, (iii) Standard & Poor's Credit Market Services Europe Limited ("**S&P**"); and (iv) if any one or more of Moody's, Fitch or S&P do not make a rating of Tabreed publicly available, one or more internationally recognised securities rating agencies selected by Tabreed; and

"**Total Equity**" means at any time the aggregate of the amounts paid up or credited as paid up on the issued ordinary share capital of the Group including minority interests (on a consolidated basis) and the aggregate of the amounts standing to the credit of the reserves of each member of the Group, including any amount credited to the share premium account and revaluation reserves, determined by reference to the most recent consolidated audited financial statements of the Group, but adding or deducting (as the case may be):

(a) (to the extent included) any amount shown in respect of goodwill or other intangible assets of each member of the Group;

(b) (to the extent included) any provision or credit for deferred taxation which relates to the revaluation of any item which is excluded from the calculation of Total Equity;

(c) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group and to the extent such distribution is not provided for in the most recently available audited consolidated financial statements of Tabreed; and

(d) the amount raised in respect of any issue of ordinary share capital, including amounts credited to share premium account, and so that no amount shall be included or excluded more than once.

8. PERIODIC DISTRIBUTION PROVISIONS

(a) Periodic Distribution Amount

Each Certificate bears profit on its outstanding face amount from the Closing Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date. The amount of profit payable on each Periodic Distribution Date shall be U.S.$27.50 per U.S.$1,000 in face amount of Certificates and is referred to in these Conditions as a "**Periodic Distribution Amount**". For this purpose, "**Periodic Distribution Date**" means 30 April and 31 October in each year commencing on 30 April 2019 and, subject to Condition 8(c) (*Periodic Distribution Provisions – Cessation of Profit Entitlement*), Conditions 10(b) – (e) (*Capital Distributions of the Trust*) and Condition 14 (*Dissolution Events*) below, ending on the Scheduled Dissolution Date. Periodic Distribution Amounts shall be distributed to Certificateholders, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 6(b) (*The Trust - Application of Proceeds from Trust Assets*) and Condition 9 (*Payment*).

(b) Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of: (a) the Profit Rate; (b) the face amount of the relevant Certificate; and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.$0.01, U.S.$0.005 being rounded upwards).

(c) Cessation of Profit Entitlement

(i) No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date, unless, subject to Condition 8(c)(ii) below, default is made in the payment of the relevant Dissolution Amount, as a result of (x) the failure by Tabreed to pay the relevant Certificates Exercise Price in accordance with the terms of the Purchase Undertaking or the Sale Undertaking and (y) no Sale Agreement having been executed following the exercise of the Purchase Undertaking or the Sale Undertaking, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition and as further detailed in the Transaction Documents to, but excluding, the Relevant Date.

(ii) If the Capacity End Date occurs, no Periodic Distribution Amounts shall accrue to Certificateholders under the Conditions in respect of the period from the Capacity End Date to the Relevant Date.

9. PAYMENT

*For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream Luxembourg, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which Euroclear and Clearstream, Luxembourg are open for business. None of the Trustee, Tabreed, the Delegate, the Principal Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the*

Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(a) Payments in respect of Certificates

Payment of each Periodic Distribution Amount, the relevant Partial Dissolution Amount, and the relevant Dissolution Amount, as applicable, will be made by the relevant Paying Agent in U.S. dollars, by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Partial Dissolution Amount and the Dissolution Amount, as applicable, will only be made against surrender of the relevant Certificate at the specified office of the relevant Paying Agent. The Dissolution Amount and Partial Dissolution Amount, as applicable, and each Periodic Distribution Amount will be paid to the relevant holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of these Conditions:

(i) a Certificateholder's "**registered account**" means an account denominated in U.S. dollars maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date;

(ii) a Certificateholder's "**registered address**" means its address appearing on the Register at that time; and

(iii) "**Record Date**" means, in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of any Dissolution Amount or Partial Dissolution Amount, the date falling two Business Days before the relevant Dissolution Date or Change of Control Partial Put Date, as the case may be, or other due date for payment of such amount.

(b) Payments subject to Applicable Laws

All payments are subject in all cases to: (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of this Condition 9 (*Payment*) and Condition 11 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an inter-governmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) Payment only on a Business Day

Payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated by the relevant Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of the relevant Paying Agent.

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Partial Dissolution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, or if the relevant Certificateholder is late in surrendering his Certificate (if required to do so).

If any Dissolution Amount, Partial Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

(d) Agents

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided in the Declaration of Trust and the Agency Agreement) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party to the Transaction Documents.

The names of the initial Agents and their initial specified offices are set out in this Condition 9(d). The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents *provided that* the Trustee shall at all times maintain: (i) a Principal Paying Agent; (ii) a Registrar; (iii) a Transfer Agent; and (iv) such other agents as may be required by any other stock exchange on which the Certificates may be listed in each case, as approved by the Trustee.

Notice of any such change or any change of any Specified Office shall be given to the Trustee, the Delegate and the Certificateholders in accordance with the provisions of the Agency Agreement.

The name and specified office of the Principal Paying Agent:

HSBC Bank plc
8 Canada Square
London, E14 5HQ
United Kingdom

The name and specified office of the Registrar and Transfer Agent:

HSBC Bank plc
8 Canada Square
London, E14 5HQ
United Kingdom

10. CAPITAL DISTRIBUTIONS OF THE TRUST

(a) Dissolution on the relevant Scheduled Dissolution Date

Unless the Certificates are previously redeemed or purchased and cancelled as provided in this Condition 10, the Trustee will redeem each Certificate on the Scheduled Dissolution Date at its Final Dissolution Amount.

Upon redemption of the Certificates in accordance with this Condition 10(a) and payment in full of the Final Dissolution Amount, the Trust will be dissolved on the relevant Scheduled Dissolution Date, the Certificates shall cease to represent undivided ownership interests in the Trust Assets, no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) Early Dissolution for Tax Reasons

The Certificates shall be redeemed by the Trustee in whole, but not in part, and the Trust shall be dissolved on a Tax Redemption Date by the Trustee giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), at the Tax Redemption Amount, if a Tax Event occurs, where "**Tax Event**" means:

(i) (A) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the

Certificates; and (B) such obligation cannot be avoided by the Trustee, taking reasonable measures available to it; or

(ii) (A) the Trustee has received notice from Tabreed that it has or will become obliged to pay additional amounts pursuant to the terms of the Service Agency Agreement or any other Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Certificates; and (B) such obligation cannot be avoided by Tabreed taking reasonable measures available to it,

provided however, that no such notice of dissolution shall be given by the Trustee to Certificateholders unless an Exercise Notice has been received by the Trustee from Tabreed under the Sale Undertaking and further *provided that* no such notice of dissolution shall be given by the Trustee to Certificateholders earlier than 90 days prior to the earliest date on which the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (ii) above) Tabreed would be obliged to pay such additional amounts if a payment to the Trustee under the Service Agency Agreement or any other Transaction Document to which it is a party was then due.

Prior to the delivery by the Trustee of any notice of dissolution to Certificateholders pursuant to this Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*), Tabreed shall deliver to the Trustee and to the Delegate a Certificate signed by two duly authorised officers of Tabreed, which shall be binding on the Trustee and the Certificateholders, stating that the Trustee is entitled to effect such dissolution and setting forth a statement of facts showing that the conditions precedent in (i)(A) and (B) or (ii)(A) and (B), as the case may be, have occurred and the Trustee or the Delegate shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the relevant conditions precedent in which event they shall be conclusive and binding on the Certificateholders.

For the purpose of these Conditions, a "**Relevant Jurisdiction**" means each of the DIFC, the United Arab Emirates and the Emirate of Dubai.

(c) Dissolution at the Option of the Certificateholders – Change of Control Put Option

So long as any Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Change of Control Put Option may be exercised by the holder of the Global Certificate giving notice to the Registrar or the Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in this Condition 10(c).

(i) If a Change of Control Event occurs, the Trustee will, upon the holder of any Certificate giving a Put Notice in accordance with Condition 10(c)(ii) within the Change of Control Put Period redeem such Certificate on the Change of Control Put Option Date at the Change of Control Amount.

Notwithstanding the previous paragraph, if the holder of every Certificate outstanding delivers a Put Notice within the Change of Control Put Period in accordance with Condition 10(c)(ii) (unless prior to the giving of the relevant Put Notice the Trustee has given notice of redemption under Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*) or Condition 10(d) (*Capital Distributions of the Trust – Dissolution at the Option of Tabreed (Clean Up Call)*), the Trustee will redeem the Certificates at the Final Dissolution Amount on the Periodic Distribution Date immediately following the expiry of the Change of Control Put Period (the "**Change of Control Full Put Date**").

Immediately upon Tabreed becoming aware that a Change of Control Event has occurred, it shall give notice to the Trustee. The Trustee shall, upon receipt of such notice from Tabreed, and, at any time following the occurrence of a Change of

Control Event, the Trustee, if so requested by the holders of at least one-fifth in face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution, shall, give notice to the Certificateholders (a "**Change of Control Notice**") in accordance with Condition 17 (*Notices*) specifying the nature of the Change of Control Event.

Upon redemption of all of the Certificates in accordance with this Condition 10(c)(i) and payment in full of the Final Dissolution Amount, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect of the Certificates and the Trustee shall have no further obligations in respect of the Certificates.

Neither the Trustee nor the Delegate is under any obligation to ascertain whether a Change of Control Event or any event which could lead to the occurrence of or could constitute a Change of Control Event has occurred and, until it shall have actual knowledge or notice to the contrary, the Trustee may assume that no Change of Control Event or other such event has occurred.

For the purpose of this paragraph (i):

a "**Change of Control**" will occur if any person or persons other than:

(a) the Government of Abu Dhabi (or any entity controlled directly or indirectly by the Government of Abu Dhabi); or

(b) Engie S.A. (or any entity controlled directly or indirectly by Engie S.A.),

acquires (individually or in aggregate) more than 50 per cent. of the issued share capital of Tabreed. For such purposes, each of the Government of Abu Dhabi and/or Engie S.A. will be deemed to "**control**" an entity if (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract, trust or otherwise) it has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of such entity or otherwise controls, or has the power to control, the affairs and policies of such entity;

a "**Change of Control Event**" will occur if:

(a) a Change of Control occurs; and

(b) either:

  (i) at the time that the Change of Control occurs, Tabreed does not have Investment Grade Status; or

  (ii) at any time during the Specified Downgrade Period:

    (A) Tabreed ceases to have Investment Grade Status; and

    (B) in respect of such cessation of Investment Grade Status, any relevant Rating Agency that had assigned an Investment Grade Rating to Tabreed which has been withdrawn or downgraded below an Investment Grade Rating publicly announces that such withdrawal or downgrading of the rating was the result, in whole or in part, of the Change of Control;

"**Change of Control Put Option Date**" means, in respect of any Change of Control Put Period, the date which falls 14 days after the date on which the relevant holder exercises its option in accordance with Condition 10(c)(ii);

"**Change of Control Put Period**" means, in relation to any Change of Control Event, the period from and including the date on which a Change of Control Notice is given to and including the date falling 60 days after the date on which any such notice is given; and

"**Specified Downgrade Period**" means the period:

(a) commencing on the date on which the Change of Control occurred; and

(b) ending on the date falling 90 days after the date on which the Change of Control occurred.

(ii) To exercise the option pursuant to sub-paragraph (i) above, the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deposit this Certificate with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Put Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the relevant period. No Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

(d) Dissolution at the Option of Tabreed (Clean Up Call)

If, at any time, pursuant to the redemption of Certificates in accordance with Condition 10(c) (*Capital Distributions of the Trust – Dissolution at the Option of the Certificateholders – Change of Control Put Option*) and/or Condition 13(b) (*Purchase and Cancellation of Certificates – Cancellation of Certificates held by Tabreed and/or any of its Subsidiaries*) the aggregate face amount of the Certificates then outstanding is no more than 20 per cent. of the aggregate face amount of the Certificates upon issue thereof on the Closing Date, then Tabreed may exercise its right granted under clause 2.1(b) (*Grant of Rights*) of the Sale Undertaking in accordance with clause 3.1(b) (*Exercise of Rights*) thereof to redeem the Certificates, in whole but not in part, and deliver an Exercise Notice to the Trustee specifying the Optional Dissolution Clean Up Call Date, such notice to be delivered in the prescribed form set out in the Sale Undertaking and not less than 30 nor more than 60 days prior to the Optional Dissolution Clean Up Call Date stated therein, as applicable.

Following receipt by the Trustee of a duly completed Exercise Notice in the prescribed form pursuant to this Condition 10(d), the Trustee shall, on giving not less than 30 nor more than 60 days' notice, to the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates) redeem the Certificates, in whole, at the Final Dissolution Amount on the Optional Dissolution Clean Up Call Date.

Upon redemption of all of the Certificates outstanding in accordance with this Condition 10(d) and payment in full of the Final Dissolution Amount, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect of the Certificates and the Trustee shall have no further obligations in respect of the Certificates.

(e) Dissolution following a Dissolution Event

Upon the occurrence of a Dissolution Event the Certificates may be redeemed at the Final Dissolution Amount on the Dissolution Event Redemption Date and the Trust will be dissolved by the Trustee, as more particularly specified in Condition 14 (*Dissolution Events*).

Upon redemption of all of the Certificates outstanding in accordance with this Condition 10(e) and payment in full of the Final Dissolution Amount, the Trust will be dissolved, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect of the Certificates and the Trustee shall have no further obligations in respect of the Certificates.

(f) No Other Dissolution

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 10 (*Capital Distributions of the Trust*), Condition 13(c) (*Purchase and Cancellation of Certificates – Dissolution of the Trust upon cancellation of all outstanding Certificates*) and Condition 14 (*Dissolution Events*).

(g) Cancellations

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

(h) Effect of payment in full of Final Dissolution Amount

Upon payment in full of the Final Dissolution Amount, together with accrued and unpaid Periodic Distribution Amounts, and the termination of the Trust, the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11. TAXATION

All payments by or on behalf of the Trustee in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction ("**Taxes**") (which expression shall take the same meaning for the purposes of this Condition 11 as it takes for the purposes of Condition 10(b) (*Capital Distributions of the Trust – Early Dissolution for Tax Reasons*)) or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Certificate:

(a) Presentation in relevant Tax Jurisdiction

presented for payment in a Relevant Jurisdiction; or

(b) Other connection

to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Certificate by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Certificate; or

(c) Presentation/surrender more than 30 days after the Relevant Date

presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment more than 30 days after the Relevant Date (defined below) except to the extent that the holder thereof would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation or, as the case may be, surrender of the Certificate being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation.

The Service Agency Agreement, the Purchase Undertaking and the form of Sale Agreement to be entered into pursuant to the Sale Undertaking each provide that payments thereunder by Tabreed shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by Tabreed of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

12. PRESCRIPTION

Claims against the Trustee or Tabreed for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Amount or Partial Dissolution Amount, as the case may be) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

13. PURCHASE AND CANCELLATION OF CERTIFICATES

(a) Purchases

Tabreed and any Subsidiary may at any time purchase Certificates in the open market or otherwise at any price. Certificates so purchased, while held by or on behalf of Tabreed or any Subsidiary, shall not entitle the holder to vote at any meeting of the Certificateholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Certificateholders.

(b) Cancellation of Certificates held by Tabreed and/or any of its Subsidiaries

All Certificates purchased by or on behalf of Tabreed or any Subsidiary may at the option of Tabreed be held, resold or surrendered for cancellation by surrendering the Certificate to the Principal Paying Agent for cancellation by or on behalf of the Trustee, and, in each case, if so surrendered, shall, together with all Certificates redeemed by Tabreed, be cancelled forthwith. The Sale Undertaking may be exercised by Tabreed in respect of the transfer of the Trustee's rights, title, interests, benefits and entitlements in, to and under Plant Capacity with an aggregate value no greater than the aggregate face amount of the Certificates so delivered to the Principal Paying Agent for cancellation by or on behalf of the Trustee and, upon such cancellation, the Trustee will transfer such Plant Capacity to Tabreed. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged.

(c) Dissolution of the Trust upon cancellation of all outstanding Certificates

In the event that Tabreed and/or any of its Subsidiaries purchase all the outstanding Certificates and all such Certificates are subsequently cancelled by or on behalf of the Trustee, the Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14. DISSOLUTION EVENTS

Upon the occurrence of any of the following events (each a "**Dissolution Event**"):

(a) ***Non-payment***: default is made in the payment of any Dissolution Amount, Partial Dissolution Amount or any Periodic Distribution Amount due in respect of the Certificates or any of them and the default continues for a period of seven Business Days in the case of any Dissolution Amount or Partial Dissolution Amount and 14 Business Days in the case of any Periodic Distribution Amount;

(b) ***Breach of other obligations***: the Trustee defaults in the performance or observance of or compliance with any of its other duties, obligations or undertakings under these Conditions or the Transaction Documents to which it is a party and such default is not capable of remedy or (if capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Trustee by the Delegate; or

(c) ***Tabreed Event***: a Tabreed Event occurs; or

(d) ***Repudiation***: the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(e) ***Illegality***: at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its duties, obligations and undertakings under the Certificates or the Transaction Documents or any of the duties, obligations and undertakings of the Trustee under the Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or

(f) ***Insolvency:*** either: (a) the Trustee is (or is deemed by law or a court to be) insolvent or is unable to pay its financial obligations as they fall due; (b) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); (c) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness given by it; or (d) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or

(g) ***Winding-up***: an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or

(h) ***Analogous event***: any event occurs which under the laws of any Relevant Jurisdiction has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Delegate shall, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, and having been notified in writing of or otherwise determining that (such determination by the Delegate to be in its absolute discretion), or becoming aware that, such Dissolution Event has occurred, give notice in writing of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. Following the issuance of such notice the Delegate may, or if so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (a "**Dissolution Request**"), shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee and Tabreed of the Dissolution Request and, upon receipt of such notice, the Trustee or the Delegate, in the name of the Trustee, shall exercise its rights under the Purchase Undertaking and the Trustee or the Delegate, in the name of the Trustee, shall distribute to the Certificateholders the proceeds of the resultant sale and liquidation credited to the relevant Transaction Account in accordance with the Service Agency Agreement and the Certificates shall be redeemed at the Final Dissolution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**") and the Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed.

For the purposes of this Condition 14 (*Dissolution Events*), a "**Tabreed Event**" will occur if one or more of the following events occurs:

(a) *Non-payment*: Tabreed (acting in any capacity) fails to pay:

   (i) an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Periodic Distribution Amount payable by the Trustee on a Periodic Distribution Date and the failure continues for a period of 14 Business Days; or

(ii) an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Dissolution Amount or Partial Dissolution Amount payable by the Trustee on a Dissolution Date or Change of Control Partial Put Date (as the case may be) and the failure continues for a period of seven Business Days; or

(b) *Breach of other obligations*: Tabreed does not perform or comply with any one or more of its other duties, obligations or undertakings under the Transaction Documents to which it is a party which default is not capable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to Tabreed by the Delegate; or

(c) *Cross-acceleration:* any other present or future Indebtedness of Tabreed or any of its Material Subsidiaries for or in respect of moneys borrowed or raised: (a) becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described); or (b) is not paid when due or, as the case may be, within any applicable grace period, save in each case where the liability in respect of the relevant Indebtedness is being contested by Tabreed or such Material Subsidiary, as the case may be, in good faith and by all appropriate means and *provided that* the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies); or

(d) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of Tabreed or any of its Material Subsidiaries and is not discharged, withdrawn or stayed within 30 days; or

(e) *Security enforced*: any Security Interests, present or future, created or assumed by Tabreed or any of its Material Subsidiaries securing any Indebtedness which equals or exceeds U.S.$50,000,000 (or its equivalent in any other currency or currencies), as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person, but excluding the issue of any notification to Tabreed or such Material Subsidiary, as the case may be, that such Security Interest has become enforceable) unless the full amount of the Indebtedness which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(f) *Insolvency*: Tabreed or any of its Material Subsidiaries is adjudicated or found insolvent or bankrupt or unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of Tabreed or any of its Material Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of Tabreed or any of its Material Subsidiaries or Tabreed or any of its Material Subsidiaries ceases or threatens to cease, or is required to cease, to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in another Subsidiary; or

(h) *Invalidity, illegality or unenforceability*: (i) the validity of the Certificates or the Transaction Documents is contested by Tabreed or Tabreed shall deny or repudiate any of its obligations under the Certificates or the Transaction Documents (in each case, to the extent applicable) (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); (ii) it is or becomes unlawful for Tabreed to perform or comply with all or any of its obligations set out in the Certificates or the Transaction Documents (in each case, to the extent applicable); or (iii) all or any of Tabreed's obligations set out in the Certificates or the Transaction Documents (in each case, to the extent applicable) shall be or become unenforceable or invalid; or

(i) *Analogous event*: any event occurs that under the laws of the United Arab Emirates or any Emirate therein has an analogous effect to any of the events referred to in paragraphs (g) and (h) above,

provided that, in the case of paragraph (b) above, such event will only constitute a Tabreed Event if the Delegate has certified in writing to the Trustee and Tabreed that such event, in its opinion, is materially prejudicial to the interests of the Certificateholders.

15. ENFORCEMENT AND EXERCISE OF RIGHTS

(a) Upon the occurrence of a Dissolution Event, to the extent any amount payable in respect of the Certificates has not been paid in full, the Trustee or the Delegate (subject to the Delegate being indemnified and/or secured and/or prefunded to its satisfaction), may (acting for the benefit of the Certificateholders) take one or more of the following steps:

(i) enforce the provisions of the Purchase Undertaking, the Service Agency Agreement and any other Transaction Documents in accordance with their terms; and/or

(ii) take such other actions, steps or proceedings as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

(b) Following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished. Following which, neither the Trustee nor the Delegate shall be liable for any such sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including Tabreed) to recover any such sum or asset in respect of the Certificates or the Trust Assets. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding up of the Trustee.

(c) No Certificateholder shall be entitled to proceed directly against the Trustee or to provide instructions to the Trustee to proceed directly against Tabreed in each case under any Transaction Document to which either of them is a party unless the Delegate, having become bound so to proceed: (i) fails or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, in each case, within a reasonable period and such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and/or Tabreed shall be to enforce their respective obligations under the Transaction Documents.

(d) Subject to paragraph (b), neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against, in the case of the Delegate only, the Trustee and/or, in the case of the Trustee or the Delegate, Tabreed under any Transaction Document to which either of the Trustee or Tabreed is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then outstanding aggregate face amount of the Certificates and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable and *provided that* neither the Trustee nor the Delegate shall be held liable for the consequences of exercising or not exercising its discretion or taking or not taking any such action and may do so without having regard to the effect of such action or the failure to take action on individual Certificateholders.

16. REPLACEMENT OF CERTIFICATES

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Certificate) and otherwise as the Trustee, Registrar, Paying Agent or Transfer Agent may reasonably require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

17. NOTICES

Notices to the holders of Certificates shall be mailed to them (or, in the case of joint holders, to the first named) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to Certificateholders shall also be valid if published in a daily newspaper of general circulation in London (which is expected to be the "*Financial Times*"). Any such notice will be deemed to have been given on the first date of such publication. If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. The Trustee shall also ensure that notices are duly published in a manner that complies with any other relevant rules of any stock exchange or other relevant authority on which the Certificates are for the time being or by which they have for the time being admitted to trading. any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Until such time as any Definitive Certificates are issued, there may, so long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Certificates. Any such notice shall be deemed to have been given to the holders of the Certificates on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

18. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

(a) Meetings of Certificateholders

The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the outstanding face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*; (i) to amend the relevant Scheduled Dissolution Date, any Change of Control Partial Put Date or any Periodic Distribution Date or Periodic Distribution Amounts on the Certificates; (ii) to reduce or cancel any amount payable in respect of the Certificates; (iii) to reduce the rate or rates of profit in respect of the Certificates or to vary the method or basis of calculating the rate or rates of profit or the basis for calculating any Periodic

Distribution Amounts in respect of the Certificates; (iv) to vary any method of, or basis for, calculating the Partial Dissolution Amount, the Final Dissolution Amount, the Tax Redemption Amount or the Change of Control Amount; (v) to vary the currency or currencies of payment or denomination of the Certificates; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass the Extraordinary Resolution; or (vii) to change the governing law of the Certificates, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Declaration of Trust provides that a resolution may be in writing signed by or on behalf of the Certificateholders holding not less than 90 per cent. in aggregate face amount of the Certificates outstanding (a "**Written Resolution**"). Such Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Further, the Declaration of Trust provides that, where the Certificates are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Trustee, Tabreed or the Delegate (as the case may be) may be given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Delegate in accordance with the operating rules and procedures of the relevant clearing system(s) by or on behalf of the holders of not less that 90 per cent. in aggregate face amount of the Certificates then outstanding (an "**Electronic Consent**"). Any Written Resolution or Electronic Consent shall take effect as an Extraordinary Resolution and will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

(b) Modification of the Declaration of Trust and Waiver

The Declaration of Trust and any other Transaction Document may only be amended by the Trustee with the consent of the Delegate and the Delegate may, without the consent or sanction of the Certificateholders; (i) agree to any modification of any of the provisions of the Declaration of Trust and any other Transaction Document that is, in the opinion of the Delegate of a formal, minor or technical nature or made to correct a manifest error or (ii) agree to any other modification (other than in respect of a Reserved Matter or any provision of the Declaration of Trust referred to in the definition of a Reserved Matter), and any waiver or authorisation, on such terms as seem expedient to it, of any breach or proposed breach, of any of the provisions of the Conditions, the Declaration of Trust or any other Transaction Document; and (iii) determine that any Dissolution Event or Potential Dissolution Event (as defined in the Declaration of Trust) shall not be treated as such if in the case of (ii) and (iii), in the opinion of the Delegate it is not materially prejudicial to the interests of the Certificateholders ***provided that*** the Delegate will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 14 (*Dissolution Events*). No such direction or request will affect a previous waiver, authorisation or determination. Any such modification, authorisation or waiver shall be binding on the Certificateholders and such modification shall be notified by the Trustee to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable thereafter.

(c) Entitlement of the Delegate

In connection with the exercise by it of any of its powers, trusts, authorities and discretions under the Declaration of Trust (including, without limitation, any modification), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, Tabreed or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and Tabreed, to the extent already provided for in Condition 11 (*Taxation*)).

19. THE DELEGATE

The Trustee has in the Declaration of Trust irrevocably and unconditionally appointed the Delegate to be its attorney and in its name and on its behalf and as its act and deeds:

(a) to execute, deliver and perfect all documents;

(b) to exercise all of the present and future powers (including the power to sub-delegate), trusts, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event or Potential Dissolution Event, to exercise all of the rights of the Trustee under the Purchase Undertaking, the Service Agency Agreement and any of the other Transaction Documents; and

(c) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust,

(together the "**Delegation**" of the "**Relevant Powers**"),

provided that,

(a) no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation;

(b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and

(c) such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate.

The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action unless directed to do so in accordance with Condition 15 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Tabreed under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by Tabreed but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

Nothing shall, in any case where the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the trusts, powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999.

21. GOVERNING LAW AND DISPUTE RESOLUTION

(a) Governing Law

The Transaction Documents and the Certificates, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and shall be construed in accordance with, English law.

(b) Arbitration

Without limiting the rights of the Delegate under Condition 21(c) (*Governing Law and Dispute Resolution – Jurisdiction*), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Declaration of Trust (including these Conditions) and/or the Certificates (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("**LCIA**") Rules (the "**Rules**"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 21(b). For these purposes:

(i) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA;

(ii) the seat of arbitration shall be London, England; and

(iii) the language of the arbitration shall be English.

(c) Jurisdiction

Notwithstanding Condition 21(b) (*Governing Law and Dispute Resolution – Arbitration),* the Delegate (or, but only where permitted to take action in accordance with the terms of the

Declaration of Trust, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and Tabreed require that a dispute be heard by the courts of England.

If the Delegate (or any Certificateholder) gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 21(c) and, subject as provided below, any arbitration commenced under Condition 21(b) (*Governing Law and Dispute Resolution – Arbitration)* in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to terminate is given after service of any Request for Arbitration (as defined in the Rules) in respect of any Dispute, the Delegate (or the relevant Certificateholder) must also within 28 days of service of a Request for Arbitration give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

If notice is delivered to the Trustee and Tabreed in accordance with this Condition 21(c), the courts of England are to have jurisdiction to settle any such dispute and accordingly any legal action or proceedings arising out of or in connection with any Certificates ("**Proceedings**") may be brought in such courts.

Each of the Trustee and Tabreed has in the Declaration of Trust irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

This Condition 21(c) is for the benefit of the Delegate, for and on behalf of the Certificateholders, only. As a result, and notwithstanding the remainder of this Condition 21(c), the Delegate may bring Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

(d) Service of Process

Each of the Trustee and Tabreed has in each Transaction Document to which they are respectively a party appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom (the "**Process Agent**") to receive, on its behalf service of process in any Proceedings in England.

(e) Waiver

Tabreed has in the Declaration of Trust irrevocably agreed that, should any Proceedings be taken anywhere (whether for any injunction, specific performance, damages or otherwise), to the extent permitted by law no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) in relation to those Proceedings (including without limitation, immunity from the jurisdiction of any court or tribunal, suit, service of process, injunctive or other interim relief, any order for specific performance, any order for recovery of land, any attachment (whether in aid of execution, before judgment or otherwise) of its assets, any process for execution of any award or judgment or other legal process) shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. To the extent permitted by law Tabreed irrevocably agrees that it and its assets (irrespective of its use or intended use) are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Transaction Documents to which it is a party. Notwithstanding the foregoing, Tabreed makes no representation as to whether Article 247 of Federal Law No. 11 of 1992 regarding the Law of Civil Procedures will apply to its assets, revenue or property.

(f) Consent

Each of the Trustee and Tabreed has in the Declaration of Trust irrevocably and generally consented in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

(g) Waiver of Interest

Each of the Trustee, the Delegate and Tabreed has agreed in the Declaration of Trust that it will:

(i) not claim interest under, or in connection with, any Proceedings or otherwise in connection with the Declaration of Trust; and

(ii) to the fullest extent permitted by law, waive all and any entitlement it may have to judgment interest awarded in its favour by any court as a result of such Proceedings and, to the extent that any legal system would (but for the provisions of this Condition 21(g)) impose (whether by contract, statute, regulation or otherwise) any obligation to pay interest, waive any entitlement to recover interest from each other party to the Declaration of Trust.

For the avoidance of doubt, nothing in this Condition 21(g) shall be construed as a waiver of any rights in respect of any Exercise Price, Sale Exercise Price, Change of Control Exercise Price, Optional Dissolution (Clean Up Call) Exercise Price, Relevant Amount, Required Amount, Payment Default Amount, Dissolution Amount, Partial Dissolution Amount or Periodic Distribution Amount or profit or principal of any kind howsoever described payable by National Central Cooling Company PJSC (in any capacity) or Tabreed Sukuk SPC Limited (in any capacity) pursuant to the Transaction Documents and/or the Conditions or any other document or agreement, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

USE OF PROCEEDS

The proceeds of the issue of the Certificates will be paid by the Trustee to Tabreed as consideration for the purchase by the Trustee of the Plant Capacity specified in the Purchase of Services Agreement. The net proceeds of the issue of the Certificates will be applied by Tabreed for its general corporate purposes.

DESCRIPTION OF THE TRUSTEE

Registered Office

The Trustee's registered office is c/o Maples Fund Services (Middle East) Limited, Unit C1407, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. and its telephone number is +971 4511 4200.

Date of Incorporation and legal form

The Trustee was incorporated in the DIFC on 7 October 2018 as a special purpose company under the Companies Law, DIFC Law No. 3 of 2006 and the Special Purpose Company Regulations and with registered number 3003.

Share Capital

The authorised share capital of the Trustee is U.S.$100 consisting of 100 shares of U.S.$1.00 nominal value each, of which all 100 shares are fully paid up and issued. All of the issued shares of the Trustee (the "**Shares**") are held by MaplesFS Trustees Ireland Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Share Declaration of Trust**") dated 9 October 2018 under which the Share Trustee holds the Shares in trust until the termination of the period commencing on the date of the Share Declaration of Trust and ending one hundred and forty-nine years from such date or such earlier date as the trustees of the Share Declaration of Trust may determine (the "**Termination Date**"). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Purpose and Business Activity

The Trustee has been established to raise capital for Tabreed by the issue of the Certificates.

The primary purpose of the Trustee is to issue the Certificates and to undertake any ancillary activities. The Trustee is a newly formed DIFC entity and, as at the date of this Prospectus, has not commenced business and does not have any substantial assets or liabilities save for rights under the Transaction Documents.

The Trustee does not engage in, and has not, since its incorporation, engaged in, any activities other than those incidental to: (i) its registration and maintenance as a special purpose company under the Companies Law, DIFC Law No. 3 of 2006 and the Special Purpose Company Regulations; (ii) the authorisation and issue of the Certificates; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Prospectus; (v) the authorisation and execution of the other documents referred to in this Prospectus to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Trustee's ongoing activities will principally comprise: (i) the entering into of any documents related to the issue of the Certificates; and (ii) the exercise of related rights and powers, the performance of obligations and other activities referred to in this Prospectus or reasonably incidental to those activities.

The Trustee does not have subsidiaries or employees.

Since the date of its incorporation, the Trustee has not carried out any operations and no financial statements of the Trustee have been prepared. The Trustee is a special purpose vehicle and is not required by DIFC law, and does not intend, to publish audited financial statements or accounts.

Directors of the Trustee

The directors of the Trustee and their respective business addresses and principal activities are as follows:

Name and Occupation

Name	Principal Occupation
Michael Byrne	Assistant Vice President, Fiduciary at Maples Fund Services (Middle East) Limited
John Curran......................................	Assistant Vice President, Fiduciary at Maples Fund Services (Middle East) Limited

The business address of the directors of the Trustee is c/o Maples Fund Services (Middle East) Limited, Unit C1407, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Trustee.

The directors of the Trustee do not hold any direct, indirect, beneficial or economic interest in any of the shares of the Trustee.

As a matter of DIFC law, each director of the Trustee is under a duty to act honestly and in good faith with a view to the best interests of the Trustee, regardless of any other interests the director may have.

Corporate Administration

Maples Fund Services (Middle East) Limited acts as the corporate service provider of the Trustee (the "**Corporate Service Provider**"). The office of the Corporate Service Provider serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement dated 9 October 2018 entered into between the Trustee and the Corporate Service Provider (the "**Corporate Services Agreement**"), the Corporate Service Provider has agreed to perform in the DIFC, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time, various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services, including communications with shareholders and the general public, until termination of the Corporate Services Agreement. The Trustee and the Corporate Service Provider have also entered into a registered office agreement (the "**Registered Office Agreement**") for the provision of registered office facilities to the Trustee. In consideration of the foregoing, the Corporate Service Provider will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and Registered Office Agreement provide that either the Trustee or the Corporate Service Provider may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least one month's notice in writing to the other party with a copy to the DIFC Registrar of Companies. Furthermore, the Corporate Service Provider has the right to terminate such agreements in the event that there is a change in the shareholding of the Trustee or the Trustee has breached, or is unable to satisfy, any of its obligations under the Certificates or the relevant Transaction Documents to which it is a party.

The Corporate Service Provider will be subject to the overview of the Trustee's Board of Directors.

The Corporate Service Provider's principal office is Unit C1407, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The directors of the Trustee are employees and/or officers of the Corporate Service Provider. The Trustee has no employees and is not expected to have any employees in the future.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial review".

See also "Presentation of financial and other information" for a discussion of the sources of the numbers contained in this section. Further, the selected financial information as at and for the year ended 31 December 2015 has been extracted from the comparative financial information included in the 2016 Financial Statements.

All information in this section as at, and for the six-month periods ended, 30 June 2018 and 30 June 2017 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

Consolidated Statement of Financial Position Data

The table below shows the Group's consolidated statement of financial position data as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
		(AED thousands)		
ASSETS				
Non-current assets				
Capital work in progress	192,172	170,831	117,775	304,723
Property, plant and equipment	4,051,423	3,745,386	3,845,225	3,498,466
Goodwill	27,710	27,710	27,710	37,596
Investments in associates and joint ventures	562,799	826,199	826,096	641,178
Loan to a joint venture	—	—	—	72,276
Finance lease receivables	2,643,834	2,715,106	2,782,567	2,736,692
	7,477,938	**7,485,232**	**7,599,373**	**7,290,931**
Current assets				
Inventories	31,003	32,648	32,026	37,813
Accounts receivable and prepayments	623,617	516,819	409,115	409,506
Finance lease receivables	244,199	242,638	230,918	226,404
Cash and bank deposits	357,484	418,280	389,961	176,969
	1,256,303	**1,210,385**	**1,062,020**	**850,692**
Disposal group and asset held for sale	—	—	—	91,201
	1,256,303	**1,210,385**	**1,062,020**	**941,893**
TOTAL ASSETS	**8,734,241**	**8,695,617**	**8,661,393**	**8,232,824**
EQUITY AND LIABILITIES				
Equity				
Issued capital	2,715,529	2,715,529	738,490	738,490
Treasury shares	(2,016)	(2,016)	(2,016)	(2,016)
Statutory reserve	274,104	274,104	234,092	197,356
Retained earnings	782,877	1,071,952	888,361	720,667
Foreign currency translation reserve	(2,510)	(2,780)	(2,715)	(2,573)
Cumulative change in fair value of derivatives in cash flow hedges	(6,624)	(37,774)	(29,551)	(32,119)
Mandatory convertible bond-equity component	—	—	1,772,476	1,772,476
Other reserve	706,920	706,920	768,086	768,086
Equity attributable to the equity holders of the parent	**4,468,280**	**4,725,935**	**4,367,223**	**4,160,367**
Non-controlling interests	66,421	71,085	70,868	65,399
Total equity	**4,534,701**	**4,797,020**	**4,438,091**	**4,225,766**
Non-current liabilities				
Accounts payable, accruals and provisions	126,942	128,444	133,110	128,546
Interest bearing loans and borrowings	1,714,555	1,844,622	2,887,187	2,808,286
Islamic financing arrangements	1,068,292	1,089,880	—	—
Obligations under finance lease	—	—	3,979	10,320
Mandatory convertible bond-liability component	—	—	97,729	173,908
Employees' end of service benefits	27,602	25,976	22,649	20,625
	2,937,391	**3,088,922**	**3,144,654**	**3,141,685**
Current liabilities				

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
		(*AED thousands*)		
Accounts payable, accruals and provisions........	712,476	575,552	643,663	568,001
Interest bearing loans and borrowings	493,726	164,457	342,712	189,021
Islamic financing arrangements.........................	55,312	65,292	—	—
Mandatory convertible bond-liability component	—	—	84,909	84,909
Obligations under finance leases.......................	635	4,374	7,364	7,364
	1,262,149	**809,675**	**1,078,648**	**849,295**
Liabilities directly associated with the assets held for sale	—	—	—	16,078
	1,262,149	**809,675**	**1,078,648**	**865,373**
Total liabilities...	**4,199,540**	**3,898,597**	**4,223,302**	**4,007,058**
TOTAL EQUITY AND LIABILITIES	**8,734,241**	**8,695,617**	**8,661,393**	**8,232,824**

Consolidated Statement of Profit or Loss Data

The table below shows the Group's consolidated statement of profit or loss data for each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	2017
	(*AED thousands*)	
Revenues	650,668	639,242
Operating costs...	(329,387)	(326,729)
Gross profit...	**321,281**	**312,513**
Administrative and other expenses...	(102,479)	(101,175)
Operating profit..	**218,802**	**211,338**
Finance costs...	(86,617)	(82,140)
Finance income...	275	73
Other gains and losses	34,056	1,293
Share of results of associates and joint ventures.......................................	45,964	62,389
Profit for the period..	**212,480**	**192,953**
Attributable to:		
Equity holders of the parent...	211,912	192,680
Non-controlling interests	568	273
	212,480	**192,593**

The table below shows the Group's consolidated statement of profit or loss data for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AEDD thousands*)	
Revenues	1,399,428	1,279,853	1,204,008
Operating costs...	(771,764)	(681,979)	(643,393)
Gross profit...	**627,664**	**597,874**	**560,615**
Administrative and other expenses...	(195,557)	(192,543)	(177,918)
Operating profit..	**432,107**	**405,331**	**382,697**
Finance costs...	(162,318)	(155,959)	(138,987)
Finance income...	840	394	1,438
Other gains and losses	2,351	4,986	4,203
Share of results of associates and joint ventures.......................................	128,790	116,950	98,660
Profit for the year...	**401,770**	**371,702**	**348,011**
Attributable to:			
Equity holders of the parent...	400,113	367,362	345,345
Non-controlling interests	1,657	4,340	2,666
	401,770	**371,702**	**348,011**

Consolidated Statement of Comprehensive Income Data

The table below shows the Group's consolidated statement of comprehensive income data for each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	**2017**
	(AED thousands)	
Net profit for the year	212,480	192,953
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net movement in fair value of derivatives in cash flow hedges	20,194	(14,202)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	10,956	(6,255)
Exchange difference arising on translation of overseas operations	270	(30)
Total comprehensive income for the period	**243,900**	**172,466**

The table below shows the Group's consolidated statement of comprehensive income data for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(AED thousands)	
Net profit for the year	401,770	371,702	348,011
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Board remuneration during the year	—	—	(7,125)
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of derivatives in cash flow hedges	(7,485)	(390)	25,897
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	(738)	2,958	(3,631)
Exchange difference on translation of overseas operations	(65)	(142)	(15)
Total other comprehensive (loss)/income	**(8,288)**	**2,426**	**15,126**
Total comprehensive income for the year	**393,482**	**374,128**	**363,137**

Consolidated Statement of Cash Flows Data

The table below summarises the Group's consolidated statement of cash flows data for each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	**2017**
	(AED thousands)	
Net cash flows from operating activities	281,369	282,857
Net cash flows used in investing activities	(202,896)	(100,552)
Net cash flows used in financing activities	(139,269)	(72,113)
Cash and cash equivalents at 1 January	418,280	389,961
Cash and cash equivalents at 30 June	357,484	500,153

The table below summarises the Group's consolidated statement of cash flows for each of 2017, 2016 and 2015.

	2017	**2016**	**2015**
		(AED thousands)	
Net cash flows from operating activities	555,092	553,508	604,931
Net cash flows (used in)/from investing activities	(74,219)	(199,662)	9,195
Net cash flows used in financing activities	(452,554)	(157,331)	(585,938)
Cash and cash equivalents at 1 January	389,961	193,446	165,258
Cash and cash equivalents at 31 December	418,280	389,961	193,446

Selected Consolidated Financial Ratios and Adjusted EBITDA

The table below shows selected consolidated financial ratios and Adjusted EBITDA for the Group as at, and for the six-month periods ended, 30 June 2018 and 30 June 2017 and as at, and for the years ended, 31 December in each of 2017, 2016 and 2015. Each of these ratios and Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

	As at/six months ended 30 June		As at/years ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	(*per cent., except where otherwise stated*)				
Gross profit margin[(1)]	49.4	48.9	44.9	46.7	46.6
Net profit margin[(2)]	32.7	30.2	28.7	28.7	28.9
Adjusted EBITDA (*AED thousands*)[(3)]	326,123	308,044	628,036	583,168	544,672
Adjusted EBITDA margin[(4)]	50.1	48.2	44.9	45.6	45.2

Notes:

(1) Gross profit for the period divided by revenue.

(2) Profit for the period attributable to shareholders of the parent divided by revenue.

(3) Calculated as profit for the period before finance costs, depreciation, finance lease amortisation, finance income, share of results of associates and joint ventures and other gains and losses.

(4) Adjusted EBITDA for the period divided by revenue.

Adjusted EBITDA

Adjusted EBITDA has been calculated as profit for the year adjusted to add back finance costs, depreciation and finance lease amortisation and subtract finance income, share of results of associates and joint ventures and other gains and losses, all as recorded in the Financial Statements. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The table below shows a reconciliation of the Group's Adjusted EBITDA to its net profit for each of the six-month periods ended 30 June 2018 and 30 June 2017 and for each of 2017, 2016 and 2015.

	As at/six months ended 30 June		As at/years ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
			(*AED thousands*)		
Profit for the period	212,480	192,953	401,770	371,702	348,011
Add/(subtract):					
Finance costs	86,617	82,140	162,318	155,959	138,987
Depreciation	74,285	68,835	140,188	129,423	119,900
Finance lease amortisation[(1)]	33,036	27,871	55,741	48,415	42,075
Finance income	(275)	(73)	(840)	(394)	(1,438)
Share of results of associates and joint ventures	(45,964)	(62,389)	(128,790)	(116,950)	(98,660)
Other gains and losses[(2)]	(34,056)	(1,293)	(2,351)	(4,986)	(4,203)
Adjusted EBITDA	**326,123**	**308,044**	**628,036**	**583,168**	**544,672**

Note:

(1) Finance lease amortisation is lease rentals received during the period less finance lease income recognised for the period. Tabreed believes this adjustment addresses the timing differences between cash receipts and income recognised on finance leases.

(2) Other gains and losses in the six months ended 30 June 2018 are discussed under "*Financial review—Results of operations—Six months ended 30 June 2018 compared to six months ended 30 June 2017—Other gains and losses*".

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Selected financial information" and the Financial Statements.

The discussion of the Group's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary note regarding forward-looking statements" and "Risk factors".

See "Presentation of financial and other information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

All information in this section as at, and for the six-month periods ended, 30 June 2018 and 30 June 2017 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year.

Overview

Tabreed designs, engineers, finances, constructs and operates district cooling facilities. District cooling is an ideal energy system for large-scale, high density developments such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. District cooling relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its grid. The plant supplies chilled water through a network of underground insulated pipes. See "*The District Cooling Industry*".

Tabreed believes that it is one of the world's largest district cooling companies in terms of connected capacity. The Group currently owns and operates 63 plants across the UAE, of which 55 are wholly-owned or controlled. Through subsidiaries and affiliates, the Group also operates three plants in each of Oman and Qatar, two plants in Saudi Arabia and one plant in Bahrain, bringing its total number of owned and operated plants to 72 across five countries.

The Group generates revenue principally from:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation;
- variable consumption charges based on metered usage which typically cover all variable costs of operation with utility costs, such as fuel and water, being charged on a pass-through basis; and
- its other value chain businesses, comprising subsidiaries and joint ventures which service the district cooling and air conditioning industry and which represented approximately less than 6 per cent. of the Group's total revenue in the six months to 30 June 2018.

The Group's strategy is to maintain and enhance its leading district cooling position through maintaining high levels of customer service to existing customers, including ensuring high levels of availability and improving cost efficiency, and growing the business through the construction of new plants, connecting new customers to existing plants which have excess capacity, selective acquisitions of existing plants and possible selective expansion outside the GCC.

In 2017, the Group generated revenue of AED 1,399 million, Adjusted EBITDA of AED 628 million and net profit of AED 402 million. In the six months ended 30 June 2018, the Group's revenue was AED 651 million, its Adjusted EBITDA was AED 326 million and its net profit was AED 212 million. As at 30 June 2018, the Group had total assets of AED 8,734 million. Reflecting local climatic conditions, the Group's business is seasonal, with consumption generally peaking in the third quarter and being at its lowest in the first quarter of each year. As a result, the Group generally records higher revenue and operating costs at times of peak consumption.

Principal Factors affecting Results of Operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

Revenue

The Group's revenue from district cooling comprises two main revenue streams:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation; and

- variable consumption charges based on metered usage which cover all variable costs of operation with utility costs, such as fuel and water, being typically charged on a pass-through basis and therefore with a significantly lower margin than the fixed capacity charges.

The Group sets the capacity charge for each plant in its long-term contracts by reference to the investment in constructing the plant, the fixed costs incurred in operating the plant and its target return on investment. In each of 2017, 2016 and 2015, the Group's capacity charges comprised 60 per cent., 65 per cent. and 66 per cent. of its total revenue. In each of 2017, 2016 and 2015, the Group's capacity charges comprised 85 per cent., 88 per cent. and 89 per cent. of its Adjusted EBITDA.

The Group sets the consumption charge for each plant in its long-term contracts by reference to the variable costs incurred to produce the volumes of refrigeration tons consumed by the customer. The Group is not significantly exposed to changes in fuel and water costs or most other costs incurred in relation to materials used for cooling, as changes in these costs are typically passed through in the consumption fee. In each of 2017, 2016 and 2015, the Group's consumption charges comprised 40 per cent., 35 per cent. and 34 per cent. of its total revenue. In each of 2017, 2016 and 2015, the Group's consumption charges comprised 15 per cent., 12 per cent. and 11 per cent. of its Adjusted EBITDA.

Because the Group's capacity revenue does not depend on usage and reflecting the long-term nature of the Group's contracts, the Group has a significant committed recurring revenue stream for at least the next 10 years. Without taking into account any new contracts that may be entered into, assuming no defaults or terminations and ignoring the annual inflation-adjusted increase, the Group's capacity revenue (as a percentage of the capacity revenue it recorded in 2017) is projected to be 100 per cent. in 2018 through 2020, 99 per cent. in 2021 and 2022, 97 per cent. in 2023 through 2025, 94 per cent. in 2026 and 90 per cent. in 2027.

New plants and new connections at existing plants

The table below shows a breakdown of the Group's connected capacity as at 30 June 2018 and 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	2017	2016	2015
		(*RT thousands*)		
Consolidated				
UAE[1]	702[2]	668	646	603
Bahrain	26	26	23	22
Oman	18	17	14	13
Total consolidated	**746**	**712**	**683**	**638**
Equity accounted				
UAE[3]	71[4]	103	101	87
Qatar	214	199	188	184
Saudi Arabia	83	79	77	66
Total equity accounted	**368**	**381**	**366**	**336**
Total	**1,114**	**1,092**	**1,049**	**974**

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Notes:

(1) Includes 55,000 RT acquired by Tabreed from one of its joint ventures, Sahara Cooling Limited, and sold to a customer of Tabreed.

(2) Includes 32,800 RT of S&T Cool District Cooling Company LLC, formerly an equity accounted joint venture, see "—*Acquisitions and disposals in the six months ended 30 June 2018*" below.

(3) Excludes 55,000 RT acquired by Tabreed from one of its joint ventures, Sahara Cooling Limited, and sold to a customer of Tabreed.

(4) Excludes 32,800 RT of S&T Cool District Cooling Company LLC, formerly an equity accounted joint venture, see "—*Acquisitions and disposals in the six months ended 30 June 2018*" below.

The Group's connected capacity (which expression includes the full connected capacity of the Group's joint ventures and associates) amounted to 1,114,000 RT as at 30 June 2018, 1,092,000 RT as at 31 December 2017, 1,049,000 RT as at 31 December 2016 and 974,000 RT as at 31 December 2015, reflecting increases of 2.0 per cent. in the six months ended 30 June 2018, 4.1 per cent. in 2017 and 7.7 per cent. in 2016.

The connected capacity of Tabreed and its subsidiaries amounted to 746,000 RT as at 30 June 2018, 712,000 RT as at 31 December 2017, 683,000 RT as at 31 December 2016 and 638,000 RT as at 31 December 2015, an increase of 34,000 RT in the six months to 30 June 2018 (which includes 32,800 RT added through the consolidation of a former equity accounted investee), compared to 29,000 RT in 2017 and 45,000 RT in 2016.

The Group expects that in total it will add 65,000 RT of new connected capacity in the two years ending 31 December 2019, which includes 22,000 RT added in the first six months of 2018.

New connected capacity at Tabreed and its subsidiaries impacts the Group's revenue through capacity and consumption charges, its operating costs (including depreciation) and, for new plants, its staff and related costs. New equity accounted connected capacity impacts the Group through its share of results of its joint ventures and associates.

Acquisitions and disposals in the six months ended 30 June 2018

The Group's results for the six months ended 30 June 2018 were impacted by an acquisition of shares in a joint venture and the disposal of shares in an associate.

In March 2018, the Group acquired the remaining 50 per cent. of a joint venture, S&T Cool District Cooling Company LLC ("**S&T Cool**") which it did not already own, and S&T Cool was fully consolidated from that date. This acquisition contributed AED 15.8 million in revenue in the period from the acquisition to 30 June 2018. The Group financed the acquisition through drawings under its revolving credit facility, which also impacted its finance cost in the six months ended 30 June 2018. In addition, the acquisition generated a gain of AED 36 million (net of goodwill) in the six month period.

During the six months ended 30 June 2018, the Group's shareholding in an associate, Tabreed District Cooling Company ("**Saudi Tabreed**") fell from 25 per cent. to 20 per cent. as a result of a new shareholder acquiring newly issued shares and purchasing shares held by the existing shareholders. This transaction generated an AED 32 million gain for the Group in the six months ended 30 June 2018.

Significant Accounting Policies

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the significant accounting policies applied by the Group generally, see note 2.3 to the 2017 Financial Statements and note 3 to the Interim Financial Statements.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group's financial statements, see note 2.5 to the 2017 Financial Statements, which identifies six judgments which have the most significant effect on the amounts recognised in the Financial Statements and five key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In addition, note 4 to the Interim Financial Statements identifies a further judgment associated with Tabreed's acquisition of the remaining 50 per cent. shareholding in S&T Cool that it did not already own.

Results of Operations

Six months ended 30 June 2018 compared to six months ended 30 June 2017

Revenue

The Group's revenue comprises:

- revenue from the supply of chilled water; and
- revenue from value chain businesses.

The table below shows the breakdown of the Group's revenue in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		2017	
	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)
Supply of chilled water................................	617,265	94.9	602,304	94.2
Value chain businesses	33,403	5.1	36,938	5.8
Total revenue..	**650,668**	**100.0**	**639,242**	**100.0**

The Group's revenue from the supply of chilled water is derived through long-term contracts (typically of 25 years duration) with its customers. These contracts typically provide for two main charges:

- a fixed monthly capacity charge, which is paid regardless of cooling use, and typically escalates in accordance with the local consumer price inflation rate; and
- a monthly consumption charge based on metered consumption volumes, which typically reflects a pass through of variable operating costs, including utilities.

The Group's total revenue was AED 651 million for the six months ended 30 June 2018 compared to AED 639 million for the corresponding period in 2017, an increase of AED 12 million, or 1.8 per cent. This increase reflected:

- an AED 15 million, or 2.5 per cent., increase in revenue from the supply of chilled water, from AED 602 million for the six months ended 30 June 2017 to AED 617 million for the corresponding period in 2018; and
- an AED 4 million, or 9.6 per cent., fall in revenue from the value chain businesses, from AED 37 million for the six months ended 30 June 2017 to AED 33 million for the corresponding period in 2018.

The increase in revenue from the supply of chilled water in the 2018 period compared to the 2017 period principally reflected the acquisition of S&T Cool (which contributed AED 15.8 million), new connections in Bahrain and Oman (which contributed AED 5.0 million), and increases in capacity revenue as a result of indexation which were offset by an AED 5.1 million increase in finance lease amortisation and decreases in consumption due to generally cooler weather in the 2018 period compared to the 2017 period.

The fall in revenue from the value chain business in the 2018 period compared to the 2017 period principally reflected lower revenue in two subsidiaries, Ian Banham and Associates ("**Ian Banham**"), a mechanical, electrical and plumbing consultancy, and CoolTech Energy Water Treatment LLC ("**CoolTech**"), which offers water treatment services.

Operating costs

The Group's operating costs principally comprise utility costs, depreciation, the purchase of chilled water from a third party, the costs related to its staff directly engaged in operations and the cost of inventories recognised as an expense.

The table below shows the breakdown of the Group's operating costs by type in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		2017	
	(AED thousands)	*(per cent.)*	*(AED thousands)*	*(per cent.)*
Utility costs	(166,268)	50.5	(168,730)	51.6
Depreciation	(70,143)	21.3	(65,863)	20.2
Purchase of chilled water from a related party	(49,854)	15.2	(49,781)	15.2
Staff and others	(43,122)	13.0	(42,355)	13.0
Total operating costs	**(329,387)**	**100.0**	**(326,729)**	**100.0**

The Group's total operating costs were AED 329 million for the six months ended 30 June 2018 compared to AED 327 million for the corresponding period in 2017, an increase of AED 2 million, or 0.8 per cent. This increase principally reflected AED 4 million, or 6.5 per cent., higher depreciation as a result of the acquisition of S&T Cool and AED 2 million, or 1.5 per cent., lower utility costs as a result of lower volumes used.

The table below shows the breakdown of the Group's operating costs by business segment in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		2017	
	(AED thousands)	*(per cent.)*	*(AED thousands)*	*(per cent.)*
Supply of chilled water	(312,255)	(94.8)	(308,866)	(94.5)
Value chain businesses	(22,334)	(6.8)	(26,239)	(8.0)
Eliminations	5,202	1.6	8,376	2.5
Total operating costs	**(329,387)**	**100.0**	**(326,729)**	**100.0**

In segmental terms, the increase in total operating costs principally reflected:

- an AED 3 million, or 1.1 per cent., increase in operating costs related to the supply of chilled water, from AED 309 million for the six months ended 30 June 2017 to AED 312 million for the corresponding period in 2018; and
- an AED 4 million, or 14.9 per cent., fall in operating costs related to the value chain businesses, from AED 26 million for the six months ended 30 June 2017 to AED 22 million for the corresponding period in 2018.

The increase in operating costs related to the supply of chilled water in the 2018 period compared to the 2017 period principally reflected higher depreciation as a result of the acquisition of S&T Cool.

The fall in operating costs related to the value chain business in the 2018 period compared to the 2017 period principally reflected the lower revenue recorded at Ian Banham and CoolTech.

Gross profit

Reflecting the above factors, the Group's gross profit was AED 321 million for the six months ended 30 June 2018 compared to AED 313 million for the corresponding period in 2017, an increase of AED 8 million, or 2.8 per cent.

The Group's gross profit for:

- the chilled water business was AED 305 million for the six months ended 30 June 2018 compared to AED 293 million for the corresponding period in 2017, an increase of AED 12 million, or 3.9 per cent; and
- the value chain businesses was AED 21 million for the six months ended 30 June 2018 compared to AED 20 million for the corresponding period in 2017, an increase of AED 1 million, or 3.1 per cent.

The Group's gross profit margins were 49.4 per cent. for the six months ended 30 June 2018 and 48.9 per cent. for the corresponding period in 2017.

The Group's gross profit margins for:

- the chilled water business were 49.4 per cent. for the six months ended 30 June 2018 and 48.7 per cent. for the corresponding period in 2017; and
- the value chain businesses were 61.4 per cent. for the six months ended 30 June 2018 and 53.9 per cent. for the corresponding period in 2017.

Administrative and other expenses

The Group's administrative and other expenses principally comprise the costs of its administrative and other non-operating staff, its allowance for impairment of trade receivables (if any) and depreciation.

The table below shows the breakdown of the Group's administrative and other expenses by type in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June			
	2018		**2017**	
	(AED thousands)	*(per cent.)*	*(AED thousands)*	*(per cent.)*
Staff costs	74,358	72.6	69,348	68.5
Allowance for impairment of trade receivables	—	—	469	0.5
Depreciation	4,142	4.0	2,972	2.9
Other administrative and general expenses	23,979	23.4	28,386	28.1
Total	**102,479**	**100.0**	**101,175**	**100.0**

The Group's total administrative and general expenses were AED 102 million for the six months ended 30 June 2018 compared to AED 101 million for the corresponding period in 2017, an increase of AED 1 million, or 1.3 per cent. This principally reflected AED 5 million, or 7.2 per cent., higher staff costs as a result of increased staff numbers and AED 1 million, or 39.4 per cent., higher depreciation due to an increase in depreciable assets. These increases were offset by AED 4 million, or 15.5 per cent., lower other administrative and general expenses.

Operating profit

Reflecting the above factors, the Group's operating profit was AED 219 million for the six months ended 30 June 2018 compared to AED 211 million for the corresponding period in 2017, an increase of AED 8 million, or 3.5 per cent.

Net finance costs

The Group's finance costs principally comprise the interest and profit charged on its financing arrangements and amounted to AED 87 million for the six months ended 30 June 2018 compared to AED 82 million for the corresponding period in 2017, an increase of AED 5 million, or 5.5 per cent. This increase principally reflected increased drawings under a revolving credit facility to support the S&T Cool acquisition and the impact of an increase in EIBOR rates on the Group's debt that is linked to those rates. These factors were offset by lower accretion expenses as a result of the conversion of the Group's mandatory convertible bonds ("**MCB**s") in August 2017.

Net of a small amount of finance income comprising interest on the Group's cash balances in each period, the Group's net finance cost was AED 86 million in the six months ended 30 June 2018 compared to AED 82 million in the corresponding period of 2017.

Other gains and losses

The Group's other gains and losses amounted to AED 34 million for the six months ended 30 June 2018 compared to AED 1 million for the corresponding period in 2017. In the 2018 period:

- the Group acquired the remaining 50 per cent. of the shares in S&T Cool from its joint venture partner, bringing its shareholding to 100 per cent. The difference between the carrying value of the

Group's existing 50 per cent. investment in S&T Cool and the fair value of that holding, which amounted to AED 36 million (net of goodwill), was included in other gains and losses;

- the Group realised an AED 32 million gain on the disposal of a 5 per cent. shareholding in Saudi Tabreed, which reduced its shareholding to 20 per cent;
- the Group recovered a previously provided for balance amounting to AED 28 million from one of its customers, which was recorded under this line item; and
- the Group made provisions of AED 34 million for slow moving inventory and AED 25 million against impairment of its plant in Bahrain, each of which were also included in other gains and losses.

Share of results of associates and joint ventures

The Group had four associates and three joint ventures in each of the six month periods ended 30 June 2018 and 30 June 2017, although one of its joint ventures became a subsidiary in March 2018. All of the Group's associates and joint ventures are equity accounted, which means that the Group records its aggregate proportionate share of the profit or loss made by each entity in its statement of profit or loss for each year.

The table below shows the breakdown of the Group's share of results of its equity accounted investees in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	**2017**
	(*AED thousands*)	
Share of profits from associates, net	37,095	52,894
Share of profits from joint ventures, net	8,869	9,495
Share of results of associates and joint ventures	**45,964**	**62,389**

The Group's share of profits from associates was AED 37 million for the six months ended 30 June 2018 compared to AED 53 million for the corresponding period in 2017. The lower share of profits in the 2018 period principally reflected the accounting impact of IFRS 15 on one of the Group's associates and the partial disposal of share in Saudi Tabreed which reduced the Group's proportionate share of profit in that company.

The Group's share of profits from its joint ventures was AED 9 million both for the six months ended 30 June 2018 and the corresponding period in 2017.

Profit for the period

Reflecting the above factors, the Group's profit for the period was AED 212 million for the six months ended 30 June 2018 compared to AED 193 million for the corresponding period in 2017, an increase of AED 19 million, or 10.0 per cent.

Other comprehensive income or loss

The Group's other comprehensive income or loss in each period comprised the net change in the fair value of its and its equity-accounted investees' hedging instruments and currency translation differences on the translation of accounts of foreign entities into dirham for the purposes of consolidation.

The table below shows the breakdown of the Group's other comprehensive income or loss in each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	**2017**
	(*AED thousands*)	
Items that may be reclassified subsequently to profit or loss		
Net movement in fair value of derivatives in cash flow hedges	20,194	(14,202)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	10,956	(6,255)
Exchange differences arising on translation of overseas operations	270	(30)
Total other comprehensive income/(loss)	**31,420**	**(20,487)**

The Group's total other comprehensive income was AED 31 million for the six months ended 30 June 2018 compared to a total other comprehensive loss of AED 20 million for the corresponding period in 2017. The income in the 2018 period principally reflected positive net movements in the fair value of derivatives in cash flow hedges for both the Group and its equity-accounted investees. In the 2017 period, the Group recorded negative net movements in fair value on these derivatives. These changes in fair value principally reflected changes in EIBOR rates.

Total comprehensive income

Reflecting the above factors and the Group's profit for each period, the Group's total comprehensive income was AED 244 million for the six months ended 30 June 2018 compared to AED 172 million for the corresponding period in 2017, an increase of AED 72 million, or 41.4 per cent.

Adjusted EBITDA

The Group's Adjusted EBITDA was AED 326 million for the six months ended 30 June 2018 compared to AED 308 million for the corresponding period in 2017, an increase of AED 18 million, or 5.9 per cent. The Group's Adjusted EBITDA margins were 50.1 per cent. for the six months ended 30 June 2018 and 48.2 per cent. for the corresponding period in 2017.

2017, 2016 and 2015 Compared

Revenue

The table below shows the breakdown of the Group's revenue in 2017, 2016 and 2015.

	2017		**2016**		**2015**	
	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)
Supply of chilled water[1]	1,317,296	94.1	1,167,983	91.3	1,102,755	91.6
Value chain businesses	82,132	5.9	111,870	8.7	101,253	8.4
Total revenue	**1,399,428**	**100.0**	**1,279,853**	**100.0**	**1,204,008**	**100.0**

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Note:

(1) Including finance lease income.

The Group's total revenue was AED 1,399 million for 2017 compared to AED 1,280 million for 2016 and AED 1,204 million for 2015, an increase of AED 119 million, or 9.3 per cent., in 2017 and an increase of AED 76 million, or 6.3 per cent., in 2016.

2017 and 2016 compared

The increase in 2017 compared to 2016 reflected:

- an AED 149 million, or 12.8 per cent., increase in revenue from the supply of chilled water, from AED 1,168 million for 2016 to AED 1,317 million for 2017; and
- an AED 30 million, or 26.6 per cent., fall in revenue from the value chain businesses, from AED 112 million for 2016 to AED 82 million for 2017.

The increase in revenue from the supply of chilled water in 2017 compared to 2016 principally reflected a change in consumption tariff as a result of the pass-through of Abu Dhabi utility rates (which contributed AED 68 million), the completion of two new plants for the UAF, a full year of operations at the Dubai Parks & Resorts plant and the acquisition of the Nations Tower plant (which together contributed AED 60 million); new connections in Bahrain and Oman and the impact of the consumer price inflation related increase on tariffs.

The fall in revenue from the value chain business in 2017 compared to 2016 principally reflected lower business volumes at Emirates Pre-insulated Pipes Industries LLC ("**EPPI**").

2016 and 2015 compared

The increase in 2016 compared to 2015 reflected:

- an AED 65 million, or 5.9 per cent., increase in revenue from the supply of chilled water, from AED 1,103 million for 2015 to AED 1,168 million for 2016; and
- an AED 11 million, or 10.5 per cent., increase in revenue from the value chain businesses, from AED 101 million for 2015 to AED 112 million for 2016.

The increase in revenue from the supply of chilled water in 2016 compared to 2015 principally reflected the completion of the Dubai Parks & Resorts plant (which contributed AED 28 million), new connections in all jurisdictions and the impact of the consumer price inflation related increase on tariffs.

The increase in revenue from the value chain business in 2016 compared to 2015 principally reflected increases in revenue at Gulf Energy Systems LLC (a contracting company), Ian Banham and CoolTech.

Operating costs

The table below shows the breakdown of the Group's operating costs by type in each of 2017, 2016 and 2015.

	2017		**2016**		**2015**	
	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)
Utility costs	435,213	56.4	338,077	49.6	313,518	48.7
Depreciation	133,430	17.3	123,880	18.2	115,193	17.9
Purchase of chilled water from a related party	99,359	12.9	101,001	14.8	99,260	15.4
Staff and others	71,470	9.3	70,467	10.3	61,448	9.6
Cost of inventories recognised as an expense	32,292	4.2	48,554	7.1	53,974	8.4
Total operating costs	**771,764**	**100.0**	**681,979**	**100.0**	**643,393**	**100.0**

The Group's total operating costs were AED 772 million for 2017 compared to AED 682 million for 2016 and AED 643 million for 2015, an increase of AED 90 million, or 13.2 per cent., in 2017 compared to 2016 and an increase of AED 39 million, or 6.0 per cent., in 2016 compared to 2015.

2017 and 2016 compared

The AED 90 million increase in 2017 compared to 2016 principally reflected:

- an increase of AED 97 million, or 28.7 per cent., in utility costs driven by increase in Abu Dhabi utility rates (which contributed AED 57 million), and higher consumption volumes due to new plants and connections and a full year of operations at one plant; and
- an increase of AED 10 million, or 7.7 per cent., in depreciation as a result of the new plants and a full year of depreciation at one plant,

which were partially offset by a fall of AED 16 million, or 33.5 per cent., in the cost of inventories recognised as an expense as a result of lower business volumes at EPPI.

2016 and 2015 compared

The AED 39 million increase in 2016 compared to 2015 principally reflected:

- an increase of AED 25 million, or 7.8 per cent., in utility costs driven by a new plant, new connections and an increase in consumption volumes;
- an increase of AED 9 million, or 7.5 per cent., in depreciation principally as a result of the new plant; and
- an increase of AED 9 million, or 14.6 per cent., in staff and other costs as a result of increased headcount in staffing the new plant,

which were partially offset by a fall of AED 5 million, or 10.0 per cent., in the cost of inventories recognised as an expense as a result of lower business volumes in subsidiaries.

The table below shows the breakdown of the Group's operating costs by business segment in each of 2017, 2016 and 2015.

	2017		2016		2015	
	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)
Supply of chilled water	(721,943)	(93.5)	(616,593)	(90.4)	(577,028)	(89.7)
Value chain businesses	(64,815)	(8.4)	(83,609)	(12.3)	(84,499)	(13.1)
Eliminations	14,994	1.9	18,223	2.7	18,134	2.8
Total operating costs	**771,764**	**100.0**	**681,979**	**100.0**	**643,393**	**100.0**

2017 and 2016 compared

The AED 90 million increase in operating costs in 2017 compared to 2016 principally reflected:

- an AED 105 million, or 17.1 per cent., increase in operating costs related to the chilled water business, principally as a result of an increase in Abu Dhabi utility rates (which contributed AED 57 million), as well as higher volumes from new plants and connections and a full year of operations at one plant; and
- an AED 19 million, or 22.5 per cent., fall in operating costs related to the value chain businesses, principally as a result of lower business volumes at EPPI.

2016 and 2015 compared

The AED 39 million increase in operating costs in 2016 compared to 2015 principally reflected:

- an AED 40 million, or 6.9 per cent., increase in operating costs related to the chilled water business, principally as a result of a new plant and new connections to existing plants which increased consumption volumes and contributed AED 25 million, an increase in depreciation as a result of the new plant and an increase in finance lease amortisation; and
- an AED 1 million, or 1.1 per cent., fall in operating costs related to the value chain businesses, principally as a result of lower business at EPPI.

Gross profit

Reflecting the above factors, the Group's gross profit was AED 628 million for 2017 compared to AED 598 million for 2016 and AED 561 million for 2015, an increase of AED 30 million, or 5.0 per cent., in 2017 compared to 2016 and AED 37 million, or 6.6 per cent., in 2016 compared to 2015.

The Group's gross profit for:

- the chilled water business was AED 595 million for 2017 compared to AED 551 million for 2016 and AED 526 million for 2015, an increase of AED 44 million, or 8.0 per cent., in 2017 compared to 2016 and AED 26 million, or 4.9 per cent., in 2016 compared to 2015; and
- the value chain businesses was AED 41 million for 2017 compared to AED 48 million for 2016 and AED 35 million for 2015, a fall of AED 7 million, or 15.2 per cent., in 2017 compared to 2016 and an increase of AED 13 million, or 37.0 per cent., in 2016 compared to 2015.

The Group's gross profit margins were 44.9 per cent. for 2017, 46.7 per cent. for 2016 and 46.6 per cent. for 2015. The Group's gross profit margins for:

- the chilled water business were 45.2 per cent. for 2017, 47.2 per cent. for 2016 and 47.7 per cent. for 2015; and
- the value chain businesses were 50.0 per cent. for 2017, 43.3 per cent. for 2016 and 34.9 per cent. for 2015.

Administrative and other expenses

The table below shows the breakdown of the Group's administrative and other expenses by type in each of 2017, 2016 and 2015.

	2017		2016		2015	
	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)	(*AED thousands*)	(*per cent.*)
Staff costs	129,191	66.1	125,059	65.0	120,088	67.5
Allowance for impairment of trade receivables	11,972	6.1	5,694	3.0	4,331	2.4
Depreciation	6,758	3.5	5,543	2.9	4,707	2.6
Other administrative and general expenses	47,636	24.4	56,247	29.2	48,792	27.4
Total	**195,557**	**100.0**	**192,543**	**100.0**	**177,918**	**100.0**

The Group's total administrative and general expenses were AED 196 million for 2017 compared to AED 193 million for 2016 and AED 178 million for 2015, an increase of AED 3 million, or 1.6 per cent., in 2017 compared to 2016 and an increase of AED 15 million, or 8.2 per cent., in 2016 compared to 2015.

2017 and 2016 compared

The AED 3 million increase in 2017 compared to 2016 principally reflected:

- an increase of AED 6 million, or 110.3 per cent., in allowance for impairment of trade receivables driven by a provision against doubtful debts at Ian Banham; and
- an increase of AED 4 million, or 3.3 per cent., in staff costs mainly due to lower allocation of time to new projects and unallocated maintenance staff costs,

which were partially offset by a fall of AED 9 million, or 15.3 per cent., in other general and administrative expenses.

2016 and 2015 compared

The AED 15 million increase in 2016 compared to 2015 principally reflected:

- an increase of AED 7 million, or 15.3 per cent., in other general and administrative expenses driven by the change in the treatment of Board remuneration, which previously was charged to other comprehensive income; and
- an increase of AED 5 million, or 4.1 per cent., in staff costs as a result of an increase in staff numbers, and particularly the addition of senior positions.

Operating profit

Reflecting the above factors, the Group's operating profit was AED 432 million for 2017 compared to AED 405 million for 2016 and AED 383 million for 2015, an increase of AED 27 million, or 6.6 per cent. in 2017 compared to 2016 and an increase of AED 23 million, or 5.9 per cent. in 2016 compared to 2015.

Net finance costs

The table below shows the Group's net finance costs for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AED thousands*)	
Interest on interest bearing loans and borrowings	114,261	123,027	100,848
Profit on Islamic financing arrangements	22,883	—	—
Accretion expense on mandatory convertible bonds	3,456	9,214	14,735
Interest element of obligations under finance lease	780	1,412	1,990
Amortisation of transaction costs	15,728	15,768	14,036
Other finance costs	5,210	6,538	7,378
Less: interest capitalised during the year	—	(1,397)	—
Finance income	(840)	(394)	(1,438)
Net finance costs	**161,478**	**155,565**	**137,549**

The Group's net finance cost was AED 161 million for 2017 compared to AED 156 million for 2016 and AED 138 million for 2015, an increase of AED 6 million, or 3.8 per cent. in 2017 compared to 2016 and an increase of AED 18 million, or 13.1 per cent., in 2016 compared to 2015.

In each year, the increase principally reflected higher interest and profit on borrowings (including Islamic finance arrangements) driven by increased borrowings, which were offset by lower accretion expense on MCBs as a result of the repurchase of part of the outstanding MCBs.

Other gains and losses

The Group's other gains and losses amounted to AED 2 million for 2017 compared to AED 5 million for 2016 and AED 4 million for 2015.

Share of results of associates and joint ventures

The Group had four associates and three joint ventures in each of 2017, 2016 and 2015.

The table below shows the breakdown of the Group's share of results of its equity accounted investees in each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AED thousands*)	
Share of profits from associates:			
Qatar District Cooling Company	48,951	44,894	45,900
Saudi Tabreed District Cooling Company	34,609	34,797	28,254
Others[(1)]	19,909	17,465	16,736
Total share of profits from associates	**103,469**	**97,156**	**90,890**
Share of profits from joint ventures, net	25,321	19,794	7,770
Share of results of associates and joint ventures	**128,790**	**116,950**	**98,660**

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Note:
(1) Industrial City Cooling Company and Sahara Cooling Limited

The Group's principal associates in terms of share of profit generated are Qatar District Cooling Company ("**Qatar Cool**"), in which the Group has a 44 per cent. shareholding, and Saudi Tabreed District Cooling Company ("**Saudi Tabreed**"), in which the Group had a 25 per cent. shareholding throughout the three-year period.

The Group's share of profits from associates was AED 103 million for 2017 compared to AED 97 million for 2016 and AED 91 million for 2015. The increase of AED 6 million, or 6.5 per cent., in 2017 compared to 2016 principally reflected an AED 4 million higher share of profit from Qatar Cool as a result of new connections. The increase of AED 6 million, or 6.9 per cent., in 2016 compared to 2015 principally reflected an AED 7 million higher share of profit from Saudi Tabreed as a result of development fee income charged in respect of a new project.

The Group's share of profits from its joint ventures was AED 25 million for 2017 compared to AED 20 million for 2016 and AED 8 million for 2015. The increase of AED 6 million, or 27.9 per cent., in 2017 compared to 2016 principally reflected new connections at a UAE joint venture, Business District Cooling Investment LLC ("**BDCI**"). The increase of AED 12 million, or 154.7 per cent., in 2016 compared to 2015 principally reflected new connections at S&T Cool and a full year of operations at BDCI.

Profit for the year

Reflecting the above factors, the Group's profit for the year attributable to Tabreed was AED 400 million for 2017 compared to AED 367 million for 2016 and AED 345 million for 2015, an increase of AED 30 million, or 8.1 per cent. in 2017 compared to 2016 and an increase of AED 24 million, or 6.8 per cent. in 2016.

Other comprehensive income or loss

The Group's other comprehensive income or loss in each year principally comprises the net change in the fair value of its and its equity-accounted investees' hedging instruments and currency translation differences on the translation of accounts of foreign entities into dirham for the purposes of consolidation. In addition, in 2015 Board remuneration paid during the year was classified as other comprehensive expense. With effect from 1 January 2016, management re-assessed the accounting policy of director remuneration and determined that it should be reflected in the statement of profit or loss.

The table below shows the breakdown of the Group's other comprehensive income or loss in each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AED thousands*)	
Items that will not be reclassified subsequently to profit or loss			
Board remuneration during the year	—	—	(7,125)
Items that may be reclassified subsequently to profit or loss			
Net movement in fair value of derivatives in cash flow hedges	(7,485)	(390)	25,897
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	(738)	2,958	(3,631)
Exchange differences arising on translation of overseas operations	(65)	(142)	(15)
Total other comprehensive (loss)/income	**(8,288)**	**2,426**	**15,126**

The Group's total other comprehensive loss was AED 8 million in 2017 compared to total other comprehensive income of AED 2 million in 2016 and AED 15 million in 2015. The loss in 2017 principally reflected a negative net movement in the fair value of derivatives in cash flow hedges. In 2016, the Group recorded only a small negative net movement in fair value on these derivatives and in 2015 it recorded a significant positive change in their fair value. These changes in fair value principally reflected changes in EIBOR rates.

Total comprehensive income

Reflecting the above factors and the Group's profit for the year, the Group's total comprehensive income was AED 393 million in 2017 compared to AED 374 million in 2016 and AED 363 million in 2015, an increase of AED 19 million, or 5.2 per cent., in 2017 and an increase of AED 11 million, or 3.0 per cent., in 2016.

Adjusted EBITDA

The Group's Adjusted EBITDA was AED 628 million in 2017 compared to AED 583 million in 2016 and AED 545 million in 2015, an increase of AED 45 million, or 7.8 per cent. in 2017 and an increase of AED 38 million, or 7.1 per cent., in 2015. The Group's Adjusted EBITDA margins were 44.9 per cent. in 2017, 45.6 per cent. in 2016 and 45.2 per cent. in 2015.

Liquidity and Capital Resources

Overview

The Group's principal cash requirements are to complete ongoing capital projects, principally the construction of new plants, expansions of existing plants and new connections, to purchase property, plant and equipment, to make investments in subsidiaries and equity-accounted investees, to make payments in respect of its financing obligations and to pay dividends.

The Group's principal sources of funds to finance these requirements are its operating cash flow and the proceeds of new financing arrangements entered into. Tabreed has a revolving credit facility, which is a working capital facility that it utilises from time to time to ensure continued liquidity in the event of inconsistent receipts from customers and/or payments to suppliers. In addition the facility provides short term liquidity for capital projects.

Cash flow

The tables below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of the six-month periods ended 30 June 2018 and 30 June 2017.

	Six months ended 30 June	
	2018	2017
	(*AED thousands*)	
Net cash flows from operating activities	281,369	282,857
Net cash flows used in investing activities	(202,896)	(100,552)
Net cash flows used in financing activities	(139,269)	(72,113)
Cash and cash equivalents at 1 January	418,280	389,961
Cash and cash equivalents at 30 June	357,484	500,153

The tables below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AED thousands*)	
Net cash flows from operating activities	555,092	553,508	604,931
Net cash flows (used in)/from investing activities	(74,219)	(199,662)	9,195
Net cash flows used in financing activities	(452,554)	(157,331)	(585,938)
Cash and cash equivalents at 1 January	389,961	193,446	165,258
Cash and cash equivalents at 31 December	418,280	389,961	193,446

Operating activities

The Group's net cash from operating activities for the six months ended 30 June 2018 was AED 281 million compared to AED 283 million for the corresponding period in 2017.

The Group's net cash from operating activities for 2017 was AED 555 million compared to AED 554 million for 2016 and AED 605 million for 2015.

The Group's cash flow from operating activities before working capital adjustments in each period principally reflected its profit for the period adjusted to add back finance costs and depreciation and to deduct finance lease income and the Group's share of results from its equity-accounted investees. The Group's principal working capital change in each period was its lease rentals received and, in the interim periods and in 2017, its accounts receivable and prepayments.

Investing activities

The Group's net cash flow used in investing activities for the six months ended 30 June 2018 was AED 203 million compared to AED 101 million for the corresponding period in 2017. In the 2018 period, the principal investments made were AED 163 million in the repayment of a loan and AED 89 million in net cash outflow which both related to the Group's purchase of the remaining 50 per cent. shareholding in S&T Cool that it did not already own, and AED 35 million in payments for capital work in progress associated with new plant construction and new connections. These outflows were partially offset by AED 54 million received in dividends from associates and AED 40 million received from the sale of shares in Saudi Tabreed. In the 2017 period, the principal investments made were AED 109 million in the purchase of property, plant and equipment and AED 46 million in payments for capital work in progress associated with new plant construction, a plant acquisition and new connections. These outflows were offset by AED 54 million received in dividends from associates and a joint venture.

The Group's net cash flow used in investing activities for 2017 was AED 74 million compared to AED 200 million for 2016 and a net cash flow from investing activities of AED 8 million for 2015.

In 2017, the principal investments made were AED 114 million in the purchase of property, plant and equipment and AED 84 million in payments for capital work in progress associated with new plant construction, a plant acquisition and new connections. These outflows were offset by AED 122 million received in dividends from associates and a joint venture.

In 2016, the principal investments made were AED 133 million in the purchase of property, plant and equipment, an AED 92 million investment in BDCI, and AED 63 million in payments for capital work in progress associated with new plant construction. These outflows were offset by AED 76 million received in dividends from associates and a joint venture and AED 11 million received from the disposal of certain assets held for sale.

In 2015, the principal investments made were AED 113 million in the purchase of property, plant and equipment and AED 177 million in payments for capital work in progress associated with new plant construction. These outflows were more than offset by an AED 253 million inflow on the redemption of term deposits, AED 33 million received in dividends from associates and AED 11 million received from the disposal of certain assets held for sale.

Financing activities

The Group's net cash flow used in financing activities for the six months ended 30 June 2018 was AED 139 million compared to AED 72 million for the corresponding period in 2017. In the 2018 period, the Group paid dividends of AED 222 million and interest of AED 72 million. These outflows were offset by a net AED 158 million inflow from borrowings. In the 2017 period, the Group paid dividends of AED 178 million and interest of AED 91 million. These outflows were offset by a net AED 218 million inflow from borrowings.

The Group's net cash flow used in financing activities for 2017 was AED 453 million compared to AED 157 million for 2016 and AED 586 million for 2015.

In 2017, the Group paid interest of AED 187 million, dividends of AED 179 million and repaid a net AED 60 million in borrowings.

In 2016, the Group paid interest of AED 208 million and dividends of AED 169 million. These outflows were offset by a net AED 137 million inflow from borrowings.

In 2015, the Group paid interest of AED 212 million, dividends of AED 181 million and repaid or repurchased a net AED 174 million in borrowings.

Borrowings

The Group's outstanding borrowings as at 30 June 2018 comprised five conventional term loans and an Islamic financing arrangement.

The table below summarises the Group's outstanding borrowings as at 30 June 2018 and as at 31 December in each of 2017, 2016 and 2015.

	As at 30 June	As at 31 December		
	2018	**2017**	**2016**	**2015**
		(AED thousands)		
Term loan 1 – Facility A	74,635	149,263	298,573	473,168
Term loan 1 – Facility B	1,434,530	1,424,426	1,424,511	1,358,882
Term loan 1 – Facility C	—	—	938,194	997,828
Revolving credit facility	269,888	—	132,090	—
Term loan 2	109,973	115,048	124,707	133,744
Term loan 3	70,020	65,096	49,964	33,685
Term loan 4	175,322	180,470	185,517	—
Term loan 5	73,914	74,776	76,343	—
Islamic financing – Tranche A	944,011	970,534	—	—
Islamic financing – Tranche B	179,592	184,638	—	—
Total borrowings	**3,331,885**	**3,164,251**	**3,229,899**	**2,997,307**

New facilities

Tabreed has entered into the following new unsecured facilities:

- a term loan facility for up to U.S.$250 million, with an interest rate of LIBOR plus an initial margin of 1.65 per cent. per annum and a tenor of 5 years (the "**USD Term Loan**"). The USD Term Loan amortises on a linear basis (semi-annually), with a 30 per cent. balloon repayment due on its termination date;

- a revolving credit facility of AED 590 million, with an interest rate of EIBOR plus an initial margin of 1.65 per cent. per annum and a tenor of 5 years; and
- a trade finance facility of AED 150 million, with a utilisation fee of 1.35 per cent. per annum and a tenor of 5 years.

Refinancing

The USD Term Loan is expected to be drawn on or about the date of the issuance of the Certificates. The proceeds of the USD Term Loan and the Certificates are intended to be used to, among other things, refinance all of the borrowings identified in the table above other than term loans 3, 4 and 5.

The borrower under each of these term loans 3, 4 and 5 is a special purpose company and each of these term loans is a project financing without any recourse to Tabreed.

Term loan 3

Term loan 3 bears interest at a fixed rate of 5.0 to 5.25 per cent. It is repayable in quarterly instalments, with the last instalment falling due in 2026. During 2018, the borrower drew a further AED 8.8 million under this loan. This loan is secured by a charge over plant and machinery of the relevant project.

Term loan 4

Term loan 4 bears interest at EIBOR plus a margin. It is repayable in semi-annual instalments, with the final repayment due in March 2028. The loan was taken out to finance the construction of a new plant and is secured against that plant.

Term loan 5

Term loan 5 bears interest at EIBOR plus a margin. It is repayable in quarterly instalments, with the final repayment due in June 2031. The loan was taken out to finance the construction of a new plant and is secured against that plant.

Mandatory convertible bonds

As at 31 December in each of 2016 and 2015, the Group also had MCBs outstanding, although these were fully converted in August 2017.

Undrawn commitments

As at 30 June 2018, the Group had AED 175 million in available undrawn commitments under its revolving credit facility and AED 293 million under its Islamic financing arrangement, although both the revolving credit facility and the Islamic financing arrangement will be refinanced at the same time as the Certificates are issued. The Group expects to have approximately AED 550 million in available undrawn commitments following the refinancing.

Maturity profile

Of the Group's AED 3,331 million borrowings outstanding as at 30 June 2018, 16.5 per cent. was scheduled to mature within 12 months. The table below summarises the maturity profile of the Group's borrowings at 30 June 2018, although this maturity profile will change significantly following the issue of the Certificates and the refinancing. As of 30 September 2018, the weighted average life (the "**WAL**") of the Group's borrowings was 4.6 years. Following the issue of the Certificates and the refinancing, the Group expects that the WAL of its borrowings to increase.

	As at 30 June 2018	
	(*AED thousands*)	(*per cent.*)
Repayable within 12 months	549,038	16.5
Repayable between 1 and 5 years	1,351,492	40.5
Repayable after 5 years	1,431,355	43.0
Total	**3,331,885**	**100.0**

Capital expenditure and capital work in progress

The table below shows the Group's capital expenditure and capital work in progress by business segment in each of the six month periods ended 30 June 2018 and 2017 and in each of 2017, 2016 and 2015.

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
			(*AED thousands*)		
Capital expenditure					
Chilled water	58,338	42,135	18,467	122,519	109,291
Value chain businesses	—	—	2,218	4,306	3,665
Total capital expenditure	**58,338**	**42,135**	**20,685**	**128,825**	**112,957**
Capital work in progress					
Chilled water	4,590	15,426	74,987	198,750	191,702
Total	**4,590**	**15,426**	**95,672**	**327,575**	**304,659**

The Group's capital expenditure and capital work in progress in the six months ended 30 June 2018 principally related to the construction of a new district cooling plant for the UAF and new connections at other UAE plants.

The Group's capital expenditure and capital work in progress in 2017 principally related to the acquisition of the Nation Towers district cooling plant, the construction of a plant in Dubai to service Dubai Parks & Resorts, the construction of a plant in Oman and new connections in the UAE and Bahrain.

The Group's capital expenditure and capital work in progress in 2016 principally related to the construction of the Dubai Parks & Resorts plant and investment in the BDCI joint venture.

The Group's capital expenditure and capital work in progress in 2015 principally related to the construction of the Dubai Parks & Resorts plant and payments for piping network development.

As at 30 June 2018, Tabreed's authorised and committed capital expenditure amounted to AED 126 million. In addition, its share of the authorised and committed future capital expenditure of its associates and joint ventures amounted to AED 72 million, which principally relates to Saudi Tabreed and Qatar Cool.

No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Group.

Certain Significant Statement of Financial Position Items

The Group's principal assets are its property, plant and equipment, which amounted to AED 4.1 billion, or 46.4 per cent. of the Group's total assets, as at 30 June 2018 and its finance lease receivables, which amounted to AED 2.9 billion, or 33.1 per cent. of the Group's total assets, as at 30 June 2018.

Property, plant and equipment

The Group's property, plant and equipment principally comprises its district cooling plants and their associated distribution networks. These assets are stated at cost less accumulated depreciation and any impairment in value. Cost includes the cost of replacing plant and equipment and major overhaul costs when incurred, in each case if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss when incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, which is 30 years for plant and related integrated assets and 50 years for distribution assets.

The depreciation charge in respect of the Group's district cooling plants and their associated distribution networks amounted to AED 135 million in 2017, AED 124 million in 2016 and AED 115 million in 2015.

As at 31 December 2017, the Group had recorded impairment of AED 515 million in respect of its district cooling plants and AED 461 million in respect of its distribution networks.

Finance lease receivables

Tabreed enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements, being the ones where Tabreed transfers substantially all the risks and rewards of ownership to the customer, qualify as finance leases.

In relation to its finance leases, the Group records the amount due from the lessee in the statement of financial position as finance lease receivables. These are carried at the amount of the net investment in the lease after making provision for impairment.

The table below shows the movement in finance lease receivables during each of 2017, 2016 and 2015.

	2017	2016	2015
		(*AED thousands*)	
At 1 January	3,013,485	2,963,096	2,982,275
Initial recognition of new finance lease receivables during the year	—	98,804	22,896
Finance lease income	188,158	185,587	187,934
Lease rentals received	(243,899)	(234,002)	(230,069)
At 31 December	**2,957,744**	**3,013,485**	**2,963,096**

The table below shows the future minimum lease receivables under finance leases together with the present value of net minimum lease receivables as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December					
	2017		2016		2015	
	Minimum lease receivables	Present value thereof	Minimum lease receivables	Present value thereof	Minimum lease receivables	Present value thereof
			(*AED thousands*)			
Within one year	250,883	242,638	243,889	230,918	234,003	226,404
Between one and five years	1,057,596	876,162	1,034,542	842,428	981,812	813,471
After five years	3,784,481	1,838,944	4,058,418	1,940,139	4,187,306	1,923,221
	5,092,960	**2,957,744**	**5,336,859**	**3,013,485**	**5,403,121**	**2,963,096**
Unearned revenue	(2,135,216)	-	(2,323,374)	-	(2,440,025)	-
	2,957,744	**2,957,744**	**3,013,485**	**3,013,485**	**2,963,096**	**2,963,096**

The Group's principal liabilities are its interest bearing loans and borrowings and Islamic financing arrangements, which amounted to AED 3.3 billion, or 79.3 per cent. of the Group's total liabilities, as at 30 June 2018. The Group's interest bearing loans and borrowings and Islamic financing arrangements are discussed under "*—Liquidity and capital resources—Borrowings*" above.

The Group's total equity was AED 4.5 billion as at 30 June 2018. Its issued share capital amounted to AED 2.7 billion and comprised 2,715,529,123 ordinary shares of AED 1 each. The Group's share capital was significantly increased in August 2017 when Mubadala converted its entire holding of MCBs into 1,977,039,475 ordinary shares. At the time of conversion, Mubadala sold 40 per cent. of Tabreed's total issued share capital after conversion to a subsidiary of ENGIE.

The Group's retained earnings amounted to AED 783 million as at 30 June 2018.

Operating Lease Commitments

The table below shows the Group's operating lease commitments as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	2016	2015
		(*AED thousands*)	
Within one year	156,842	149,008	132,366
Between one and five years	842,821	793,772	698,655
After five years	3,564,605	3,540,423	3,386,098
Total operating lease commitments	**4,564,268**	**4,483,203**	**4,217,119**

Tabreed enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements, being the ones where Tabreed does not transfer substantially all the risks and rewards of ownership to the customer, qualify as operating leases.

All of the operating leases are non-cancellable and they have remaining terms of between 15 and 30 years. The operating lease commitments shown in the table above represent the future minimum rentals receivable as at the date specified.

Contingent Liabilities

The table below shows the Group's contingent liabilities (in the form of bank guarantees) as at 31 December in each of 2017, 2016 and 2015.

	As at 31 December		
	2017	**2016**	**2015**
		(*AED thousands*)	
Performance guarantees	112,588	108,418	125,850
Advance payment guarantees	673	673	1,923
Financial guarantees	2,585	2,586	2,586
Total contingent liabilities	**115,846**	**111,677**	**130,359**

Tabreed's share of the contingent liabilities of its associates and joint ventures was AED 13 million as at 31 December 2017, AED 11 million as at 31 December 2016 and AED 8 million as at 31 December 2015.

Related Party Transactions

The Group's principal related party transactions are with the Government (as its ultimate shareholder) and the Government's related entities, as well as with Tabreed's associates, joint ventures, other major shareholder, directors and executive management and entities controlled by any of them. These transactions include accounts receivable and payable and bank and loan balances. Further information on the Group's related party transactions in each period is set out in note 28 to the 2016 Financial Statements, note 27 to the 2017 Financial Statements and note 14 to the Interim Financial Statements.

Disclosures about Risk

The Group is exposed to a number of risks and takes steps to mitigate certain of these risks as described in note 30 to the 2017 Financial Statements.

DESCRIPTION OF THE GROUP

Introduction

Tabreed believes that it is one of the world's largest district cooling companies in terms of connected capacity. The Group currently owns and operates 63 plants across the UAE, of which 55 are wholly-owned or controlled. Through subsidiaries and affiliates, the Group also operates three plants in each of Oman and Qatar, two plants in Saudi Arabia and one plant in Bahrain, bringing its total number of owned and operated plants to 72 across five countries.

In 2017, the Group made available 1.1 million refrigeration tons ("**RT**") of connected capacity to its customers in the GCC, which it estimated equated to a 1.53 billion kilowatt hour reduction in energy consumption in the GCC and a 768,000 ton elimination of carbon dioxide ("**CO_2**") emissions, when compared to conventional cooling systems.

Tabreed designs, engineers, finances, constructs and operates district cooling facilities. District cooling is an ideal energy system for large-scale, high density developments such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. District cooling relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its grid. The plant supplies chilled water through a network of underground insulated pipes. See "*The District Cooling Industry*".

District cooling is efficient and cost-effective. When compared with traditional cooling technologies, the Group's district cooling offers, among other benefits:

- greater reliability due to the use of standard industrial equipment, built in equipment redundancy and a comprehensive maintenance programme (as opposed to ad hoc end-user maintenance) which is in place throughout the plant's life; and
- up to 50 per cent. less energy usage than conventional cooling, based on publications by the Dubai Regulatory and Supervisory Bureau for Electricity and Water (the "**RSB-Dubai**"), which leads to environmental benefits, including lower CO_2 emissions as a result of lower energy consumption.

See further "*The District Cooling Industry—Benefits of district cooling*".

The Group's key strengths include (i) its resilient infrastructure business model with long-term contracts that typically include fixed inflation-indexed capacity charges designed to cover fixed costs and provide a return on capital and variable consumption-based charges that typically pass through the Group's utility costs and (ii) its strong creditworthy customers, many of which are governments or government-related entities. In addition, the Group has two significant shareholders as discussed below and is, in Abu Dhabi, a national champion of a critical utility service with an environmentally friendly footprint.

The Group's strategy is to maintain and enhance its leading district cooling position through maintaining high levels of customer service to existing customers, including ensuring high levels of availability and improving cost efficiency, and growing the business through the construction of new plants, connecting new customers to existing plants which have excess capacity and selective acquisitions of existing plants. While the Group's geographical focus will remain on the GCC, it may undertake selective expansion outside the GCC.

In addition to its core district cooling business, the Group also has a number of subsidiaries and joint ventures which service the district cooling and air conditioning industry, which it refers to as value chain businesses. Together, these businesses generated less than 6 per cent. of the Group's revenue in 2017.

Tabreed is 42 per cent. owned by Mubadala Investment Company PJSC ("**Mubadala**") and 40 per cent. owned by ENGIE S.A. ("**ENGIE**"), with the balance of its issued share capital being owned by other shareholders. Mubadala is an Abu Dhabi government-owned global investment company that is focussed on delivering sustainable financial returns to realise the Government's vision for a globally integrated and diversified economy. Mubadala is active in 13 sectors and more than 30 countries around the world. ENGIE is a global energy and services group, focused on three core activities: low-carbon power generation, mainly based on natural gas and renewable energy; global networks; and customer solutions. Its operations cover 70 countries in five continents.

In 2017, the Group generated revenue of AED 1,399 million, Adjusted EBITDA of AED 628 million and net profit of AED 402 million. In the six months ended 30 June 2018, the Group's revenue was AED 651 million, its Adjusted EBITDA was AED 326 million and its net profit was AED 212 million. As at 30 June 2018, the Group had total assets of AED 8,734 million. Reflecting local climatic conditions, the Group's business is seasonal, with consumption generally peaking in the third quarter and being at its lowest in the first quarter of each year.

History

Tabreed was incorporated on 17 June 1998 as a public joint stock company with an unlimited duration pursuant to the UAE Commercial Companies Law, and operates under Dubai licence number 506206 and Abu Dhabi licence number 1017850. Tabreed is headquartered in Abu Dhabi, its registered office is at P.O. Box 29478, Dubai, UAE and its main telephone number is +971-2-2020400.

Following incorporation, Tabreed signed an agreement to supply chilled water to the UAF in 1999 and in 2000 its shares were listed on the Dubai Financial Market. Tabreed was the first commercial provider of district cooling services in the GCC.

The UAF, the RTA and Aldar are the Group's three largest customers, accounting for approximately 57 per cent. of its revenue from its chilled water business in 2017. The UAF is the Group's largest customer having signed a contract with the Group in 2000. In 2005, the Group signed agreements with the RTA and with Aldar, which are currently its second and third largest customers, together accounting for 30 per cent. of its revenue from its chilled water business in 2017. Between 2006 and 2008, the Group expanded rapidly in the GCC. In 2009, the Group recorded a significant loss due to economic slowdown following the global financial crisis. As part of a major restructuring and recapitalisation exercise, Mubadala injected AED 3.1 billion of new capital in the form of MCBs and became the majority shareholder (on a fully diluted basis) in Tabreed. In 2014, Tabreed renewed its contract with the UAF for a minimum of 20 years and refinanced AED 2.6 billion of bank facilities put in place at the time of the restructuring. In 2015, it renewed its contract with Aldar for a 30-year term and also bought back just under 30 per cent. of the MCBs issued to Mubadala, financing the repurchase through additional borrowing of AED 1 billion. In 2016, its connected capacity exceeded one million RT for the first time, after it connected its fourth largest customer, DXB Entertainments PJSC ("**DXB Entertainments**") which owns Dubai Parks and Resorts in Dubai. In 2017, Mubadala converted the remaining MCBs and, simultaneously, ENGIE made a strategic investment in Tabreed, acquiring a 40 per cent. shareholding from Mubadala.

Strategy

Tabreed's strategy is to maintain and enhance its leading district cooling position both through the continued provision of high levels of service to existing customers and by growing its district cooling business.

Maintaining high levels of service to existing customers

Tabreed's focus for existing customers is three-fold:

- ***Reliability***: Tabreed aims to always ensure a high level of availability given the critical nature of the service it provides. District cooling availability across all of the Group's plants typically exceeds 99.9 per cent., taking into account both planned and unplanned maintenance;
- ***Improving cost efficiency***: Tabreed focuses on improving the efficient use of utilities (such as electricity, water and chemicals) to reduce demand for these resources. Of these, the most important is efficient use of electricity, as the cooling industry (including district cooling and other forms of cooling) is estimated to account for approximately 70 per cent. of peak power demand in the GCC, based on publications by the RSB – Dubai. In 2017, fuel (of which electricity is the main component) represented approximately 56 per cent. of Tabreed's operating costs (including depreciation); and
- ***Customer relationship management***: Tabreed aims at all times to provide high quality customer relationship management through dedicated customer management staff and IT infrastructure.

Growth of the district cooling business

Tabreed's growth strategy is centred around:

- targeting selective new opportunities to construct district cooling plants and networks to service landmark projects with good quality customers in the UAE and the rest of the GCC, which Tabreed pursues through its existing businesses in the UAE and other GCC countries;
- connecting new customers to existing plants and networks, where there is excess cooling capacity that can be sold to new customers as and when new buildings are constructed;
- making selective acquisitions of existing district cooling plants and networks where the opportunity is expected to provide attractive returns for the Group's shareholders, including for example the acquisition of the Nations Tower plant in 2016; and
- possible selective expansions outside the GCC but within the MENA region and South Asia region, for example in Egypt and India. Tabreed intends to leverage the ENGIE relationship network and other avenues in pursuit of these opportunities.

In certain cases, including, for example, Yas Island and Maryah Island in Abu Dhabi, the first phase of Dubai Parks & Resorts in Dubai and Pearl Qatar in Qatar, Tabreed has negotiated agreements with the master developers which give it certain exclusivity rights to provide district cooling services in a particular district or portion of a district. This means that any new buildings constructed in the district must connect to Tabreed. In other cases, where no concession is in place, new customers may choose to connect to Tabreed where Tabreed has available capacity as this will often be the most economic option for the customer.

In targeting new customers, Tabreed continues to emphasise the positive economic and environmental impacts of district cooling, which it believes is best suited to larger, multi-story, high density buildings such as:

- military bases, government buildings, universities, schools, hospitals and mosques;
- commercial complexes, such as office towers, shopping malls, industrial parks, airports and ports; and
- leisure facilities such as hotels, stadia, amusement parks, cinemas and theatres.

Tabreed believes that it is well-placed to benefit from growth opportunities in its chosen geographies through a mix of existing concessions, new connections, new plants and acquisitions.

Strengths

Tabreed believes that it has a number of significant strengths:

Leading position in the GCC district cooling market

Tabreed believes that it is one of the world's largest district cooling companies in terms of connected capacity provided from 72 plants across the Group at 30 June 2018. Tabreed is the only district cooling company with a broad presence across the GCC. The Group has plants and operations in Abu Dhabi, Dubai, Qatar, Saudi Arabia, Oman and Bahrain. It is also the largest independent entity by connected capacity in all the markets in which it operates in other than Dubai, where it believes that it is the fourth largest district cooling company. See further "*The District Cooling Industry—Competition*".

The Group operates in the UAE principally through Tabreed and in the other GCC markets through subsidiaries (in Bahrain and Oman) and equity-accounted associates or joint ventures (in Saudi Arabia and Qatar).

Inherently resilient business model

The Group has an inherently resilient infrastructure business model which it believes has a low operating risk and which generates strong margins. The Group's district cooling business model generates two sources of revenue:

- fixed capacity charges for cooling capacity reserved to a customer which covers all fixed costs and provides a return on capital. These charges are paid regardless of usage and typically increase annually in line with local consumer price inflation; and

- variable consumption charges based on metered usage which cover all variable costs of operation with utility costs, such as fuel and water, being typically charged on a pass-through basis.

The low operating risk nature of the Group's business is reflected in the fact that new plants are typically only constructed once offtake contracts with take or pay structures for capacity charges have been secured. These contracts are typically entered into for a term of 25 years or more. Tabreed believes that there is low contract termination risk given that (i) most contracts do not expire for at least 10 years, (ii) it has almost no historic experience of termination (and no material contract has ever been terminated) and (iii) district cooling is significantly cheaper than any alternative. In addition, factors that support contract renewal include the useful life of plant and equipment typically exceeding contract terms and the fact that there is no economic alternative for customers whose developments have been designed for district cooling. The Group's network of existing pipes and infrastructure, including rights of way, also puts the Group in a favourable position for contractual renewals as it would be disruptive and capital intensive for its existing pipes and infrastructure to be replaced by another district cooling competitor. In recent years, the Group has successfully renewed two of its three largest contracts and the remaining largest contract does not expire before 2037.

Tabreed's business generates strong and predictable operating cash flows, amounting to AED 555 million, AED 554 million and AED 605 million in 2017, 2016 and 2015, and Adjusted EBITDA margins which were 44.9 per cent., 45.6 per cent. and 45.2 per cent. in 2017, 2016 and 2015 and which are driven by the inflation-indexed capacity payments which do not depend on customer usage.

Long-term recurring capacity revenue from strong creditworthy counterparties

Because the Group's capacity revenue does not depend on usage and reflecting the long-term nature of the Group's contracts, the Group has a significant committed recurring revenue stream for at least the next 10 years. Without taking into account any new contracts that may be entered into, assuming no defaults or terminations and ignoring the annual inflation-adjusted increase, the Group's capacity revenue (as a percentage of the capacity revenue it recorded in 2017) is projected to be 100 per cent. in 2018 through 2020, 99 per cent. in 2021 and 2022, 97 per cent. in 2023 through 2025, 94 per cent. in 2026 and 90 per cent. in 2027.

In total, in 2017 approximately 55 per cent. of the Group's revenue from its chilled water business was derived from GCC governments or entities wholly owned by those governments and a further 4 per cent. was derived from entities that were majority-owned by GCC governments. Two of the Group's three largest customers are Abu Dhabi and Dubai government entities, respectively. Unlike many of its competitors whose customer base is principally retail, the Group's customers are predominantly businesses or government entities which, the Group believes, reduces its counterparty credit and collection risk.

Experienced management team driving operational excellence

Tabreed believes that its experienced management team drives operational excellence across the Group. During its 20-year history Tabreed has constructed 72 plants with a significant track record of on-time delivery and a long operations and maintenance history. To date, the Group has not experienced a single major plant outage and its plant availability level has exceeded 99.99 per cent. for each year since it began operations.

Attractive market fundamentals

The need for cooling in the GCC, whether conventional or district cooling, is driven by the climatic conditions and in particular hot and humid summers where temperatures may remain above 40 degrees celsius for long periods. Tabreed believes that the importance of district cooling in the GCC is likely to increase driven by:

- economic diversification and industrialisation initiatives, as well as population growth, in key markets such as Abu Dhabi, Dubai, Qatar and Saudi Arabia which is driving investment in high density development across a range of segments, including tourism, hospitality, healthcare, education, retail, residential, commercial, aviation, railways and ports. Almost all of the recent high density developments in the Group's key markets have been district cooled and Tabreed believes, based on its own internal research, that there will continue to be strong demand for district cooling for new high density developments brought on line in the future;

- government policy that Tabreed expects will increasingly promote district cooling as the GCC governments seek to achieve ambitious energy efficiency targets. For example, the Abu Dhabi Water and Electricity Authority has announced that it is targeting 30 per cent. refrigeration capacity penetration for district cooling by 2030, in Dubai the target is to increase district cooling refrigeration capacity penetration from 16 per cent. in 2011 to 40 per cent. in 2030 through regulation, in Qatar all projects on the Pearl and West Bay are required to use district cooling and in Saudi Arabia the Saudi Industrial Development Fund is providing funds to district cooling companies; and

- decreasing energy subsidies in the GCC driven by low oil prices, particularly in 2015 and 2016, which in turn increases the attractiveness of district cooling over conventional cooling as district cooling is around 50 per cent. more energy efficient.

Key partnerships

Tabreed believes that the Group benefits from key partnerships both with its principal shareholders and other significant companies in key markets. In relation to its shareholders, Tabreed believes that benefits from the complementary strengths of Mubadala as an important and influential regional player and ENGIE with its core utility experience and extensive regional footprint that the Group can access in support of its business, see further "—*Principal Shareholders*" below.

In relation to other significant companies in key markets:

- in 2003, Tabreed and United Development Company QPSC ("**UDC**") established Qatar Cool to provide district cooling services in Qatar; and

- in 2004, Tabreed and ACWA Holding Company ("**ACWA Holding**") established Saudi Tabreed to provide district cooling services in Saudi Arabia.

UDC

UDC is a leading Qatari public shareholding company with a mission to identify and invest in long-term projects contributing to Qatar's growth and providing good shareholder value. UDC was established in 1999 and had total assets of QR 18.3 billion at 31 December 2017, according to its website. UDC's current portfolio includes real estate development, property management, infrastructure and utilities, energy-intensive industries, hydrocarbon downstream manufacturing, maritime related businesses and hospitality.

UDC's operations provide a range of opportunities to Qatar Cool for captive growth within its developments and UDC also provides domestic Qatari market and business environment expertise. UDC is the master developer for the Pearl and part of the West Bay development, where all three of Qatar Cool's current plants are located.

ACWA Holding

ACWA Holding operates in the power and water, manufacturing, utilities and services, construction, contracting, transportation and real estate sectors. Its diverse operations provide a range of opportunities to Saudi Tabreed for captive growth and ACWA Holding also provides domestic Saudi market and business environment expertise.

Principal Shareholders

Tabreed's principal shareholders are Mubadala, which owns 42 per cent. of the shares in Tabreed, and ENGIE, which owns 40 per cent. of the shares in Tabreed.

Mubadala

Mubadala is an Abu Dhabi government-owned global investment company whose mandate includes investing in projects that accelerate economic growth for the long-term benefit of Abu Dhabi. Mubadala, which is Abu Dhabi's leading strategic investment company, is active in 13 sectors and more than 30 countries around the world.

Mubadala's utilities business seeks to meet requirements for sustainable, energy-efficient and innovative district cooling, thermal power generation and water desalination through a portfolio of utilities businesses in the UAE and the broader region that deliver sustainable economic returns while providing essential services to millions of end-users. Its portfolio of utilities businesses includes power plants in Algeria and Oman as well as district cooling facilities across the GCC through Tabreed.

ENGIE

ENGIE is a global energy and services group, focused on three core activities: low-carbon power generation, mainly based on natural gas and renewable energy; global networks; and customer solutions. Its operations cover 70 countries in five continents.

ENGIE is headquartered in France and its key focus is on responsible and sustainable growth and creating effective energy services and innovative solutions for its customers.

Other shareholders and board representation

The remaining 18 per cent. of Tabreed's shares are owned by institutional and retail shareholders and Tabreed is not aware of any shareholder, other than Mubadala and ENGIE, which holds more than 5 per cent. of its share capital. Tabreed's board of directors (**Board**) comprises nine members, of which four are ENGIE employees and three are Mubadala employees.

Business

The Group operates in two business segments: chilled water and value chain businesses.

The Group's chilled water business constructs, owns, operates and maintains cooling and air-conditioning systems and produces and distributes chilled water for use in district cooling. The value chain businesses are involved in ancillary activities relating to the expansion of the Group's chilled water business and are discussed under "*—Value chain businesses*" below.

The table below shows the relative importance of the Group's two business segments in terms of external revenue, gross profit and operating profit for each of 2017, 2016 and 2015.

	2017		**2016**		**2015**	
	Chilled water	**Value chain**	**Chilled water**	**Value chain**	**Chilled water**	**Value chain**
			(*per cent.*)			
External revenue	94.1	5.9	91.3	8.7	91.6	8.4
Gross profit....................	94.9	5.1	92.2	7.8	93.8	6.2
Operating profit..............	98.9	1.1	95.6	4.4	96.8	3.2

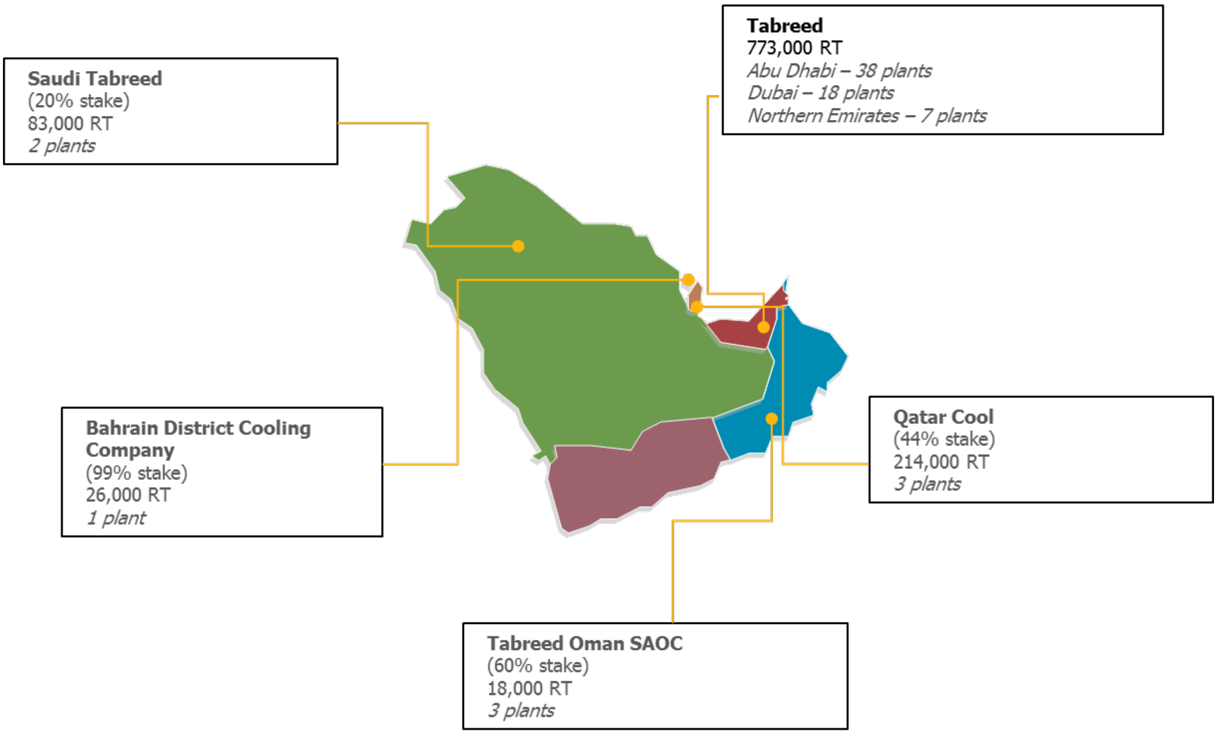
Chilled water

Introduction

The Group's core business activity is the provision of district cooling services for air conditioning in the UAE, Qatar, Saudi Arabia, Bahrain and Oman. The Group's customers for these services are almost entirely businesses or government bodies. The Group's chilled water reporting segment recorded external revenue of AED 1,317 million in 2017 compared to AED 1,168 million in 2016 and AED 1,103 million in 2015.

Regional plants

The diagram below provides information on the Group's footprint.



In the UAE, Tabreed currently owns and operates 63 plants with a total current connected capacity of approximately 773,000 RT.

The table below shows Tabreed's existing UAE connected capacity by ownership status:

	Existing capacity
55 wholly owned or controlled plants..	647,000 RT[(1)]
8 plants owned through joint ventures..	126,000 RT[(2)]

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Notes:
(1) Excludes 55,000 RT acquired by Tabreed from one of its joint ventures, Sahara Cooling Limited.
(2) Includes 55,000 RT acquired by Tabreed from one of its joint ventures, Sahara Cooling Limited, and sold to a customer of Tabreed.

Outside the UAE, the Group has:

- three plants in Qatar owned and operated by its 44 per cent. owned associate, Qatar Cool, with a total connected capacity of 214,000 RT, including the world's largest district cooling plant at The Pearl;
- two plants in Saudi Arabia owned and operated by its 20 per cent. owned associate, Saudi Tabreed, with a total connected capacity of 83,000 RT;
- three plants in Oman owned and operated by its 60 per cent. owned subsidiary, Tabreed Oman SAOC, with a total connected capacity of 18,000 RT; and
- one plant in Bahrain owned and operated by its 99 per cent. owned subsidiary, Bahrain District Cooling Company, with a total connected capacity of 26,000 RT.

In total, the Group's 72 owned and operated plants have an aggregate connected capacity of 1,114,000 RT. In January 2018, Tabreed announced that it planned to add 65,000 RT of new connected capacity across the Group by the end of 2019. Of this, 21,500 RT was added in the six months ended 30 June 2018, of which 15,000 RT was added in Qatar and 4,150 RT was added in Saudi Arabia. This new connected capacity has been and will be delivered in part through new plants, of which there are five currently under construction, and in part through connecting new customers to existing plants.

In addition, the Group operates and maintains several plants owned by other parties.

It typically takes the Group between 18 and 24 months to design and construct a new plant. Some plants are capable of being expanded and such expansions take less time, typically between six and 12 months, to implement. New customer connections to existing plants can also be completed in less time, although the time required varies from case to case mainly depending on whether additional underground piping needs to be installed to reach the customer. New connections to existing plants are usually more profitable as the capital cost per RT of new connected capacity is usually lower than that for the original plant.

The Group typically undertakes a conceptual design for a plant, and awards an engineering, procurement and construction ("**EPC**") lump sum contract on that basis. The EPC contracts conform to market standards and separate contracts are typically awarded for the cooling plants and the distribution systems. For cooling plants in the UAE, Tabreed selects contractors on a competitive basis and only uses its own contracting joint venture formed with SNC Lavalin, called SNC Lavalin Gulf Contractors LLC ("**SLGC**"), if it is more competitive than other contractors invited to bid. SLGC is described further under "—*Value chain businesses*" below. Contractors for the distribution systems, which are typically owned by the Group, are also selected on a competitive basis.

Operations and maintenance strategy

The Group has 20 years' experience of building, operating and maintaining district cooling plants. Its strategy is to safely operate and maintain the plants and other facilities to provide reliable service efficiently while preserving the value and extending the life of the assets.

The Group has operated and maintained all of its plants in-house since it was established in 1998. During this time it has experienced no major outage of supply interruption and less than 0.01 per cent. scheduled and unscheduled maintenance downtime. This strong operating track is underpinned by:

- comprehensive maintenance plans, including rigorous predictive and preventive maintenance schedules that cover the full expected life of the relevant assets; and
- a stand-by team to address any maintenance needs, and emergency and recovery teams to deal with any outages, as well as critical equipment redundancy.

Tabreed believes that the Group is recognised as a regional leader, as evidenced by the fact that it is contracted by third parties to manage their facilities.

The Group's plants are staffed on a 24/7 basis by its trained operational workforce. The Group provides regular operational training and development programmes and has a dedicated centralised performance management team that monitors plant performance and aims to enhance power efficiencies. The Group uses supervisory control and data acquisition ("**SCADA**") software systems to ensure integrated control and monitoring of all major equipment in its plants.

Customers

Before building any new project, the relevant Group company secures a long-term (typically 25 years or more) offtake agreement with a key customer or customers which Tabreed considers to be creditworthy. The contract typically provides for two separate charges during the life of the contract, being a fixed capacity fee irrespective of usage and a variable consumption fee based on metered usage.

The capacity fee is set by reference to the investment in constructing the plant, fixed costs incurred in operating the plant and a target return on investment and is typically subject to inflation adjustments. The consumption fee is set by reference to the variable costs incurred to produce the volumes of refrigeration tons consumed. The Group is not significantly exposed to changes in fuel and water costs and most other costs incurred in relation to materials used for cooling, as changes in these costs are typically passed through in the consumption fee.

Customers are typically invoiced on a monthly basis and payment is made by most customers by bank transfer or cheque. Consumption is measured by metering systems that monitor the flow of water and supply and return temperature. From this data, the amount of energy used is calculated in British Thermal Units (BTU) and converted into ton-hours. The metering systems are read monthly. Customers are billed in accordance with the meter readings and the terms of the relevant contract.

Except in circumstances beyond the Group's control, failure to provide chilled water supply may result in customers having a contractual right to liquidated damages and/or other financial penalties against the Group or, in the case of prolonged chilled water supply outages due to extreme plant or network failure, customers may ultimately have the right to terminate the offtake agreement if an alternative temporary cooling supply cannot be arranged for the customer. The Group typically has the right to suspend the supply of chilled water in the event of late payment by the customer.

Tabreed believes that the main advantages associated with its long-term contracts are:

- stability of offtake;
- commitment of customers before capacity is installed;
- margin protection with respect to inflation and related cost escalation factors; and
- overall reduction in market risk in a highly capital-intensive business.

The Group's chilled water customers principally comprise GCC governments and government-owned entities and otherwise tend to be large privately-owned corporations. The Group has only a very small volume of retail customers. In 2017, approximately 55 per cent. of the Group's revenue from its chilled water business was derived from GCC governments or entities wholly owned by them, an additional 4 per cent. was derived from entities with majority GCC government ownership and the balance was derived from corporations with no, or with minority, GCC government ownership.

In 2017, the Group's four largest customers accounted for approximately 61 per cent. of its revenue from the chilled water businesses. These customers are:

- *UAF* – the Group provides connected capacity to the UAF through 24 plants in the UAE. All of the plants were developed under a build, own, operate and transfer ("**BOOT**") contract, with ownership of the plants being transferred to the UAF at the end of a specific term agreed on a plant-by-plant basis *provided that*, in all cases, the term is equal to or greater than 20 years from the date of commencement of chilled water supply;
- *RTA* - the Group provides connected capacity to the RTA through 14 plants in Dubai which provide cooling for the red and green lines of the Dubai metro. All of the plants were developed under BOOT contracts, with ownership of the plants being transferred to the RTA at the end of the contract term, which is 2037 for the red line and 2040 for the green line. Unlike many of its other contracts, the Group's contract with the RTA does not contain an operating cost pass through mechanism, although the contract does provide for escalation of all cooling charges in line with consumer price inflation in Dubai;
- *Aldar* - the Group provides connected capacity to Aldar through seven plants in Abu Dhabi. All of the plants were developed under a build, own and operate contract with a concession structure which expires in 2044; and
- *DXB Entertainments* - the Group connected capacity to DXB Entertainments through a single plant in Dubai. The plant was developed under a BOOT contract with a concession structure which expires in 2046.

The aggregate connected capacity provided to the above four largest customers is approximately 392,000 RT.

Fuel and water

The fuel and water supplied to the Group comprised approximately 56 per cent. of its operating costs including depreciation in 2017. The Group pays standard market tariffs for the supply of electricity and water, increases in which are typically passed through to customers by way of the consumption tariff. Whilst most of Tabreed's plants in the UAE use electricity from the national grid as their fuel source, some plants in remote locations also use gas fired generators as their power source. Gas for these generators is supplied pursuant to a one year renewable contract with the ADNOC. At the time of the renewal of the last contract with ADNOC, the price of the gas being supplied by ADNOC was agreed for the next three years. Any increase in the cost of the gas supplied by ADNOC is also passed through to the relevant customers through the consumption tariff.

The Group is not party to any long-term contracts for the supply of fuel and water in markets outside the UAE.

Landmark projects

The Group currently owns and operates 72 plants across the GCC. Some of its notable district cooling plants developed in its 20 year history include:

- the delivery since 2007 of district cooling to the Sheikh Zayed Mosque in Abu Dhabi, one of the world's largest mosques;
- the delivery since 2010 of district cooling to Ferrari World in Abu Dhabi, a themed amusement park with the largest space frame structure ever built and 200,000 m^2 roof;
- the delivery since 2010 of district cooling to the Dubai Metro, the first infrastructure project of its kind in the Arabian Peninsula and the world's longest driverless and fully automated metro network, with over 47 stations.
- the delivery since 2013 of district cooling to Cleveland Clinic in Abu Dhabi, a major multi-speciality hospital;
- the delivery since 2016 of district cooling to Legoland Dubai, a theme park which covers 278,709 m^2 in Dubai Parks & Resorts, Dubai;
- the delivery of district cooling to major office buildings such as the offices at the World Trade Centre, a 59-storey building that is part of a development that includes a mall, souq and one of the tallest residential buildings in the GCC (since 2014), the Aldar HQ building (since 2010), one of Abu Dhabi's iconic buildings, and Etihad Towers (since 2010), which comprises one office and three residential towers and includes an hotel and shopping mall; and
- the delivery of district cooling to a number of hotels, including the Shangri-La Dubai (since 2003), the Ritz Carlton Abu Dhabi (since 2013) and the St Regis Abu Dhabi (since 2017).

Value chain businesses

The Group's value chain businesses include manufacturing, services and contracting companies. The Group's value chain businesses reporting segment recorded external revenue of AED 82 million in 2017 compared to AED 112 million in 2016 and AED 101 million in 2015, equal to 5.9 per cent., 8.6 per cent. and 8.4 per cent. of the Group's external revenue, respectively.

The Group views its value chain businesses as non-core assets and has indicated its willingness to exit these businesses should an attractive offer be made. The Group's principal value chain businesses are:

EPPI

EPPI was established in 2000 and commenced operations in 2002. It is 60 per cent. owned by Tabreed and manufactures thermally pre-insulate piping systems for chilled and hot water, oil and gas, and other energy-related applications. Nearly 90 per cent. of EPPI's output is sold for use in the district cooling industry. EPPI serves all district cooling providers (including Tabreed) in the UAE. Its manufacturing facilities are located in Abu Dhabi and are equipped with modern pipe fabrication technology. EPPI also provides product engineering support, on-site technical assistance and installation supervision.

Ian Banham

Ian Banham was established in the UAE in 1976. Tabreed acquired its 70 per cent. stake in Ian Banham in 2004. Ian Banham provides engineering consultancy services in all aspects of electrical and mechanical works for residential, commercial, hotel, institutional and industrial projects. Its main office is in Abu Dhabi with branches in Dubai and Sharjah.

Installation Integrity 2000 LLC (i2i)

i2i was established in 1999 to provide technical services for both new and existing buildings, including testing, balancing and commissioning of heating, venting and air conditioning systems; building services inspections; maintenance review; and engineering services. Tabreed acquired an initial 60 per cent. shareholding in i2i in 2002 and has subsequently acquired the remaining shares, making i2i a wholly-owned subsidiary.

CoolTech

CoolTech was established in 2003 to provide water treatment solutions. It is involved in sale of chemical additives for water systems, including district cooling systems. Cooltech also installs, operates and maintains on-site dosing and monitoring systems, on-site chlorine generators and treated sewerage effluent systems, and provides technical consulting services to the water treatment industry

SLGC

SLGC was established in 2004 as a joint venture between Tabreed (51 per cent.) and SNC Lavalin (49 per cent.). SLGC is an independent EPC contractor which provides design and construction services to Tabreed for its district cooling projects as well as to third parties. Prior to 2010, all contracts between Tabreed and SLGC were negotiated on an arm's-length and project-by-project basis but since then Tabreed has awarded all EPC contracts on a competitive tender basis with SLGC being one of several EPC contractors invited to bid. SLGC does not provide or install the distribution systems necessary to connect Tabreed's plants to its customers. Since Tabreed does not have management control of SLGC, this company is accounted for as a joint venture. SLGC has to date constructed more than 60 district cooling plants for Tabreed and third parties.

Health, Safety and Environment

Tabreed is committed to promoting a positive health, safety and environment ("**HSE**") culture across the Group. Tabreed's HSE policy is to conduct its business in a socially responsible manner and HSE is a key consideration in business planning and operational decisions. Tabreed's senior management team is committed to HSE which has a direct reporting line to the chief executive officer ("**CEO**"). In addition, HSE reports are submitted to the Board on a monthly basis and senior management undertake multiple plant and site visits annually. Tabreed seeks to comply with all applicable HSE regulations and best practices and to achieve a continuous improvement in its HSE performance through regular and relevant training, integrating HSE into plant operations and processes, regular internal and external HSE audits and mandatory HSE induction for new employees and contractors.

Tabreed has secured International Organisation for Standardisation ("**ISO**") 9001 quality management systems accreditation and ISO 14001 environment management systems accreditation. It has also secured the British Standard Institute's OHSAS 18001 occupational health and safety management systems accreditation. Tabreed is currently pursuing ISO 50001 certification for the development and implementation of an effective Energy Management System.

The Group has received specific permits from environment agencies in each jurisdiction in which it operates. The Group has all necessary clearances for effluent water release and emissions into the air and its waste management reduction plan, which applies across all plants, project sites and offices, aims to protect the environment and minimise waste materials through prudent waste management procedures. Examples of the Group's innovative solutions and environmentally friendly approach include:

- the use of thermal energy storage, which involves storing chilled water in large tanks which decreases the total energy consumed at the plants, in many of its plants to help achieve larger savings in electricity consumption and improve plant performance;
- the use of seawater instead of potable water in one of its plants in Bahrain, which has led to an annual saving of approximately 80 million imperial gallons of potable water; and

- being one of the pioneers in the use of treated sewage effluent ("**TSE**") in district cooling plants, which enhances the sustainability of resources by recycling sewage water to replace potable water. TSE can result in up to 35 per cent. savings over conventional potable water systems. Tabreed currently uses TSE in two plants, and is looking to expand its use to additional plants.

The Group's total recorded incident rate was 0.91 in 2015, 0.8 in 2016 and 0.5 in 2017. In addition, the Group has had a nil lost time injury frequency rate since 2015.

No Group company is in material breach of any applicable HSE regulation or licence condition.

Tabreed uses wet cooling towers in its business. In the past, these types of cooling tower have been a source of legionella bacteria which can cause legionnaires' disease. Tabreed has taken number of steps in line with federal and local regulations in the UAE to mitigate this risk, such as rigorous chemical control of the cooling water, frequent cleaning of cooling towers, frequent testing of bacteria and awareness training for its staff. Furthermore, Tabreed has public liability insurance cover in relation to legal liability arising from its operations. See "*—Insurance*" below and "*Risk factors—The Group's operations may impact the environment, and its properties may have environmental contamination, which could result in material liabilities*".

Information Technology

Tabreed aims to develop a best-in-class IT organisation, in order to operate with speed and flexibility and drive process improvement through automation and standardisation. Tabreed's IT strategy is aligned with its business strategy and aims to provide:

- superior IT service excellence;
- product simplification and solutions excellence;
- proactive IT cost optimisation as an ongoing discipline; and
- operational excellence through lean methodologies and information technology infrastructure library (ITIL) best practices.
- Tabreed is working on defining and optimising external platforms through digital transformation, third party ecosystems and technology (including outsourcing, cloud, digitisation and legacy system improvement). For example, Tabreed is undertaking a pilot project to implement a data meter data warehouse platform in the UAE, which will store key plant process data in real time. This platform will enable near real-time monitoring and health condition of plant equipment.

All of Tabreed's IT assets are purchased off the shelf. Once implemented, the support and maintenance of those IT assets is provided by Tabreed's IT department and contracted third party support. Tabreed's enterprise resource planning system is fully integrated across most subsidiaries in the UAE. Tabreed's IT assets outside the UAE are managed and supported by dedicated IT resources and systems.

To improve business continuity, Tabreed's plants' IT assets are isolated from any external network to avoid exposure to malicious attack. Additionally, Tabreed is in the process of outsourcing its critical infrastructure to a certified professional local cloud service provider to host and manage, which Tabreed believes should provide improved data backup, disaster recovery, high availability, robust IT security and resilience.

The Group also follows a recognised security standards, including:

- governance, risk and compliance monitoring, including risk management and audit trail;
- an effective incident response plan which allows for decisions to be made quickly and effectively following an attack or data compromise; and
- proactive patch management to protect the IT infrastructure and applications from operational disruption, IT security breaches and to provide minimal disruption of service.

Tabreed has not experienced any malicious interference with its IT systems in any of its Group companies.

Insurance

Tabreed has insurance policies covering property, machinery, workman's compensation and public liability. Most of these policies are held with regional insurance companies and many are reinsured internationally. Tabreed believes that its insurance coverage is in accordance with customary practice in its industry, including with respect to the terms of and the coverage provided by such insurance.

Tabreed's property insurance policy provides property all risks and business interruption cover for the Group's plants. The policy contains a specific provision offering indemnity for damaged property on a replacement basis rather than a cash sum. War risks and cover for acts of terrorism are specifically excluded.

Tabreed's insurance policy in respect of machinery covers machinery breakdown and applies to all existing plants. The basis of indemnity offers reinstatement, with no depreciation but no betterment. Cover for acts of terrorism is specifically excluded. The policy also covers loss of profit due to breakdown of machinery in the UAE.

Tabreed's Group Life insurance policy includes workman's compensation cover for all staff working within the UAE.

Tabreed's public liability insurance policy provides cover for all legal liabilities arising out of its operations. This cover extends to liabilities of up to AED 100 million and, to date, there have been no material claims made by Tabreed under this insurance policy.

Tabreed requires its contractors to maintain all relevant insurance in respect of new plants under construction until such time as the plants have been completely handed over to Tabreed.

Tabreed's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations and Tabreed will only receive insurance proceeds in respect of a claim made by it to the extent that its insurers have the funds to make payment. Therefore insurance may not cover all losses incurred by Tabreed and no assurance is given that Tabreed will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

Research and Development

Tabreed cooperates with institutions such as Abu Dhabi Future Energy Company ("**Masdar**") on research and development initiatives to develop cooling and building technology that minimises power and water consumption and the lifecycle costs of cooling systems.

Regulation

The district cooling market is largely an unregulated market in the GCC, although in some cases a regulator has been appointed. The status of regulation in each of Tabreed's key markets is as follows:

- **UAE – Abu Dhabi**: The Abu Dhabi Regulatory and Supervisory Bureau for Electricity and Water (the "**RSB-Abu Dhabi**") gathered operational information from Abu Dhabi-based district cooling companies, including Tabreed, from 2014 to 2016. In August 2016, the RSB-Abu Dhabi announced that a regulatory framework for the district cooling sector was being developed. In accordance with Abu Dhabi Law No. (11) of 2018, the Ruler of Abu Dhabi established the Department of Energy, which replaced the RSB-Abu Dhabi and assumed responsibility for the regulation of the energy section in Abu Dhabi and which now has the power to issue regulations in respect of the production, storage, distribution and supply of cooling liquids used in central cooling systems. Tabreed is not aware of any regulations being issued pursuant to Abu Dhabi Law No. (11) of 2018 in respect of the district cooling sector Abu Dhabi.

- **UAE – Dubai**: District cooling has been adopted as part of the Government of Dubai's energy demand side management and the RSB-Dubai has been appointed as the regulator of the sector. While the RSB-Dubai actively collects data from district cooling providers in Dubai and certain policy statements have been made, no regulatory framework has yet been introduced and Tabreed is not aware of any timeline for the introduction of a regulatory framework in Dubai.

- **Qatar**: District cooling is a key component of the Government of Qatar's drive to reduce energy consumption and the District Cooling Services Department of Qatar General Electricity and Water Corporation ("**Kahramaa**") has been appointed as regulator. In October 2017, Kahramaa announced that it expected a regulatory framework for the district cooling sector to be passed into law soon, but otherwise Tabreed is not aware of any specific timeline for the introduction of such a framework in Qatar.
- **Saudi Arabia**: The Electricity & Co-generation Regulatory Authority ("**ECRA**") has been appointed as the regulator of the district cooling sector in Saudi Arabia and has started to develop the economic and technical regulations that will underpin the future regulatory framework for the sector.
- **Other countries**: No regulatory framework has been introduced in either Bahrain or Oman and Tabreed is not aware of any timeline for introducing a regulatory framework in either of these countries.

The Group has all licences required from the relevant authorities in all jurisdictions in which it operates and no Group company is in material breach of any applicable regulation or licence condition.

Intellectual Property

Tabreed does not believe that it owns any intellectual property rights the loss of which would significantly adversely affect its business. The name "Tabreed" and the water towers logo on the front cover of this Prospectus have both been registered in all the jurisdictions in which Tabreed operates.

MANAGEMENT

Management

The Board

Tabreed's Board provides guidance and direction to its management towards achieving the strategic objectives of Tabreed. The Board is responsible for the direction and oversight of Tabreed on behalf of the shareholders. The day to day activities of Tabreed are delegated to management through the Board approved Delegation of Authority.

The Delegation of Authority delegates authority from the Board to executive management to execute certain:

- contractual or other commitments;
- expenditure, purchases; and
- investments,

in each case below a specified maximum amount, beyond which approval of the Board is required. To give effect to the Delegation of Authority, the Board has granted a general Power of Attorney to the Chief Executive Officer.

All other powers, authorities and responsibilities in respect of the management of Tabreed are vested in the Board in accordance with Tabreed Articles of Association (the "**Articles**"), subject to those matters reserved under the Articles and/or applicable laws and regulations for the exclusive decision of the shareholders at the General Assembly.

The Board also provides guidance and direction to management through the following mandates that are regularly reviewed by the Board:

- the five-year strategic plan;
- Tabreed's policies;
- the annual budget;
- key performance indicators; and
- regular reporting against performance targets.

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

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

In line with the Articles, each Board member is appointed by Tabreed's shareholders for a renewable period of three years. The current three-year period ends in March 2020.

As a listed company, a majority of Tabreed's directors are required to be non-executive and a majority (including the Chairman) must be UAE nationals. In addition at least one-third of the directors are required to be independent.

Decisions at Board meetings are taken by a simple majority with the Chairman having a casting vote. However, any appointment or replacement of a member of senior management or change to the business plan requires the approval of at least six of the nine members of the Board.

The table below shows Tabreed's current Board members and their date of first appointment.

Director	Designation	First Appointment
Khaled Abdulla Al Qubaisi (Chairman)	Non-executive and independent	12 March 2008
Paulo Almirante (Vice Chairman)	Non-executive	11 September 2017
H.E. Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi	Non- executive and independent	6 March 2017
Mohammed Al Huraimel Alshamsi	Non-executive and independent	24 March 2014
Mohamed Jameel Al Ramahi	Non-executive and independent	6 March 2017
Sébastien Arbola	Non-executive	11 September 2017
Frédéric Claux	Non-executive	11 September 2017
Frédérique Dufresnoy	Non-executive	11 September 2017
Saeed Ali Khalfan Al Dhaheri	Non-executive and independent	6 march 2017

The address of each Board member is c/o Tabreed, P.O. Box 29478, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to Tabreed.

Detailed below is brief biographical information on the Board members:

Khaled Abdulla Al Qubaisi – Chairman

Khaled Abdulla Al Qubaisi is the Chief Executive Officer, Aerospace, Renewables & Information Communications Technology at Mubadala.

He is also the Chairman of the Board of Injazat Data Systems and a Board Member of Masdar, Emirates Global Aluminium, Global Foundries and Emirates Integrated Telecommunications Company PJSC.

Mr. Al Qubaisi holds a Bachelor of Arts degree in Finance and Operations Management from Boston University, a Master of Science from George Washington University and is a Chartered Financial Analyst Institute member (CFA).

Paulo Almirante - Vice Chairman

Paulo Almirante is currently Chief Operating Officer of ENGIE. Mr. Almirante is a member of ENGIE's Executive Committee in charge of Brazil; Middle East, South and Central Asia and Turkey; North, South and Eastern Europe and Generation Europe.

Mr Almirante is a board member of numerous ENGIE group companies.

He holds a Master of Science degree in Mechanical Engineering Production Management and a Master of Science degree in Mechanical Engineering Thermodynamics from the Instituto Superior Técnico in Lisbon.

H.E. Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi

His Excellency, Dr. Ahmad Bin Abdullah Humaid Belhoul Al Falasi, is the Minister of State for Higher Education and Advanced Skills, where he supervises the development of higher education and scientific research in the UAE and the development of advanced skills for UAE youth for the future. His Excellency is also the Chairman of the Federal Authority for Human Resources and the Chairman of the UAE Space Agency.

His Excellency holds a Ph.D. from Sir John Monash University in Australia, a Master of Science degree from the University of Melbourne and a Bachelor of Science degree in Telecommunications Engineering from Khalifa University.

Mohammed Al Huraimel Alshamsi

Mohammed Al Huraimel Alshamsi is the Director of Utilities Investments at Mubadala, where he is responsible for the Utilities investments portfolio, which includes thermal power and district cooling assets.

Mr. Al Shamsi holds an Master of Business Administration degree from the HEC School of Management – Paris, France, and a Bachelor of Finance degree from the American University of Sharjah.

Mohamed Jameel Al Ramahi

Mohamed Jameel Al Ramahi is the Chief Executive Officer of Masdar, where he leads Masdar's development and strategic direction as it plays a prominent role in the renewable energy and clean technology sector.

Mr. Al Ramahi is a member of Masdar's Investment Committee.

Mr. Al Ramahi holds a Bachelor of Business Administration and Finance degree from the University of Evansville.

Sébastien Arbola

Sébastien Arbola is the CEO of the Middle East, South and Central Asia and Turkey region for ENGIE. He leads ENGIE's operations and growth across the region, ranging from large scale power generation and water desalination to gas retail and distribution. Prior to that, he was the Chief Financial Officer and Senior Vice President of ENGIE's Asian environmental operations as Mergers and Acquisitions Group Director. He has held roles of increasing seniority in Finance and Management over his 11-year tenure with ENGIE.

He is a graduate of the Ecole Supérieure de Commerce de Paris.

Frédéric Claux

Frédéric Claux is currently the Head of Acquisitions, Investments and Financial Advisory for ENGIE, with over 17 years of experience at the company.

Mr Claux also serves as a non-executive Board member of Les Eoliennes en Mer (offshore wind).

He graduated from French civil engineering school Ecole Nationale des Ponts et Chaussées and holds a Master of Business Administration degree from HEC business school in Paris.

Frédérique Dufresnoy

Frédérique Dufresnoy is Deputy Director of Decentralised Solutions for Cities at ENGIE. Prior to that, she was the Director of Finance, Risks and International Development at ENGIE and Chief Financial Officer of ENGIE's European operations.

Ms. Dufresnoy holds a Master of Business degree from Emlyon Business School and a Master of Business Administration degree from the University of Texas.

Saeed Ali Khalfan Al Dhaheri

Saeed Ali Khalfan Al Dhaheri, is Director of Investments at Ali & Sons Holding LLC. His current role at Ali & Sons Holding includes active management of that company's securities portfolio, whilst overseeing its real estate & hospitality division, as well as risk management of Ali & Sons and its subsidiaries.

Mr. Khalfan holds a Bachelor of Finance degree from the American University in Dubai.

Board Committees

Tabreed has four Board committees:

Audit committee

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

The current members of the Audit Committee are Mohammed Jameel Al Ramahi (Chair), Frédérique Dufresnoy and Saeed Ali Khalfan Al Dhaheri. The Audit Committee met five times in 2017.

Nomination and remuneration committee

The Nomination and Remuneration Committee assists the Board in discharging its responsibilities in relation to qualifications, compensation, appointment and succession of Tabreed's directors and key management personnel. The Committee oversees Tabreed's nomination process for the Board and continuously monitors the independency of the independent members of the Board.

The current members of the Nomination and Remuneration Committee are H.E. Dr Ahmed Belhoul Al Falasi (Chair), Mohammed Al Huraimel Alshamsi and Sébastien Arbola. The Nomination and Remuneration Committee met four times in 2017.

Finance committee

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

The current members of the Finance Committee are Mohammed Al Huraimel Alshamsi (Chair), Frédéric Claux and Saeed Ali Khalfan Al Dhaheri. The Finance Committee met five times in 2017.

Projects committee

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

The current members of the Projects Committee are Frédéric Claux (Chair), Mohammed Al Huraimel Alshamsi and Sébastien Arbola. The Projects Committee met twice in 2017.

Executive Management

The following table sets out the names of the current members of Tabreed's executive management, their position and the date they joined Tabreed:

Name	Position	Date joined
Jasim Husain Thabet	Chief Executive Officer	9 August 2012
Stephen Ridlington	Chief Financial Office	17 February 2015
Francois-Xavier Boul	Chief Development Officer	25 September 2017
Jean-Francois Chartrain	Chief Operating Officer	5 November 2017
Hamish Jooste	Chief Legal Counsel	15 January 2012

The address of each of the members of the executive management is c/o Tabreed, P.O. Box 29478, Abu Dhabi, UAE. There are no potential conflicts of interest between the private interests or other duties of the executive management listed above and their duties to Tabreed.

Detailed below is brief biographical information on the members of the executive management:

Jasim Thabet, Chief Executive Officer

Jasim is the Chief Executive Officer of Tabreed, where he is responsible for overseeing Tabreed's operations in the UAE and across the GCC, as well as ensuring that Tabreed continues to generate sustainable and long-term value for all its stakeholders.

Jasim joined Tabreed in August 2012, bringing with him approximately 15 years' experience in the regional energy, infrastructure and utilities industries, including the district cooling sector.

Prior to joining Tabreed, Jasim was Vice President in Mubadala Development Company's Industry Unit, with responsibility for managing several of the unit's key assets. As part of the unit's asset management team, he played an important role in Tabreed's 2010 recapitalisation programme, which set in place a stable capital structure and returned Tabreed to financial and operational health.

During this period at Mubadala Development Company, Jasim also led a number of value enhancing initiatives for the company including a review of its water sector strategy in the MENA region and the development of a research and development strategy aimed at establishing Abu Dhabi as a global leader in district cooling. He was also instrumental in the successful completion of major cooling infrastructure projects valued at over AED 1.2 billion.

Before joining Mubadala in 2009, Jasim held the position of Senior Project Manager at General Electric Power Systems, where he was responsible for bringing to fruition several large scale power plants in the GCC. He also spent seven years with ZADCO, one of the region's leading oil producers.

Jasim serves as a board member in various companies including serving as Chairman of the board of Bahrain District Cooling Company and as a board member of Tabreed Oman, Saudi Tabreed and SLGC.

He holds a Bachelor of Science degree in Mechanical Engineering from Saint Martin's University.

Stephen Ridlington, Chief Financial Officer

Stephen is the Chief Financial Officer of Tabreed, where he is responsible for Finance, Supply Chain Management, and Information Technology.

Stephen re-joined Tabreed in February 2015, having previously been Chief Financial Officer between 2009 and 2011. In his first tenure with Tabreed, Steve led Tabreed through its AED 3 billion recapitalisation which laid the foundations for its long-term profitability.

Prior to joining Tabreed, Stephen spent over 20 years with BP in a variety of international roles in the USA, Europe, and Asia. Stephen's last position with BP was in Moscow, where he worked for five years with Russian oil major, TNK-BP. Stephen also spent four years as Chief Financial Officer for London-based independent oil company, Buried Hill.

Stephen serves as a board member of Qatar Cool and is a Finance Committee member for Saudi Tabreed.

Stephen holds a Bachelor of Arts degree in Economics and Mathematics from Sussex University in the UK and a Master of Philosophy in Economics from Oxford University in the UK. He is member of the Association of Corporate Treasurers.

Francois-Xavier Boul, Chief Development Officer

Francois-Xavier is the Chief Development Officer of Tabreed, where he is heading the business development and the technical teams.

Francois-Xavier joined Tabreed in September 2017, bringing with him over 15 years' experience in business development, acquisitions and project and structured finance.

Prior to joining Tabreed, Francois-Xavier was Senior Vice President – Business Development with ENGIE in the UAE, where he was responsible for leading the business development, structuring and negotiation of projects and equity investments. Prior to joining ENGIE, he worked for Acwa Power (Dubai), ABC Bank (Bahrain), Ambac (London) and Natixis (Paris). He started his career at Dragages et Travaux Construction Group (Bouygues Construction group) in Hong-Kong.

Francois-Xavier holds a Bachelor degree in Mathematics and General Science and is a graduate of the Ecole Centrale de Lyon (MSc in Civil Engineering and Environment).

Jean-Francois Chartrain, Chief Operating Officer

Jean-Francois is the Chief Operating Officer of Tabreed, where he is responsible for UAE assets management and operation and maintenance.

Jean-Francois joined Tabreed in November 2017, bringing with him over 18 years' experience in the fields of business development, engineering and construction across various sectors such as utilities, energy and renewables, and environment industries across various geographies.

Prior to joining Tabreed, Jean-Francois was Technical Director at ENGIE Italia, where he headed three separate departments: design, maintenance engineering, and energy efficiency. He was also responsible for leading the private development district heating schemes. Previously, Jean-Francois also worked at GDF SUEZ Energie Services, CLIMESPACE and INGEVALOR.

Jean-Francois serves as a board member of several of Tabreed's group companies and joint ventures.

Jean-Francois holds a Bachelor degree in Mechanical and Electrical Engineering from Ecole Nationale Superieure d'Electricite et de Mecanique, France, and a Master of Business Administration degree from European School of Management in Paris.

Hamish Jooste, Chief Legal Counsel

Hamish is the Chief Legal Counsel of Tabreed, where he is responsible for the legal affairs of Tabreed, including corporate governance and company secretarial matters.

Hamish joined Tabreed in 2012 and has over 20 years' experience in corporate and commercial law, M&A, banking and utilities.

Prior to joining Tabreed, Hamish practiced law in four countries across three different continents at large international law firms.

In addition to serving as Chief Legal Counsel, Hamish acts as Secretary to the Board.

Hamish has a Bachelor of Laws degree and a Bachelor of Economics degree from the University of Western Australia.

Management Committees

To ensure that Tabreed conducts its affairs with integrity and in line with best corporate practices, on the authority of the Board, Tabreed has various management committees, of which the two key management committees are:

- the Investment Committee, which has a mandate to consider and, if applicable, endorse projects, commitments and investments prior to their being proposed to the relevant Board committees and then to the Board for final approval; and
- the Insider Information and Share Dealings Committee that monitors and controls the handling of inside information and regulates transactions and holdings of Tabreed shares by Board members and employees of Tabreed.

Employees

As at 30 June 2018, the Group had 867 full time staff in the UAE. The percentage of UAE nationals (as a percentage of full time corporate staff in the UAE) was 38 per cent. as at 30 June 2018.

The Group offers its UAE employees a range of benefits (subject to standard eligibility criteria) including housing allowance, transportation allowance, furniture allowance, UAE child allowance, mobile allowance, recreation allowance, child education allowance, annual ticket allowance, pension contribution for UAE nationals and overtime (where applicable). Historically, the Group has paid staff performance bonuses and runs a long-term staff retention scheme, as well as paying end of service benefits in line with the market and UAE law.

The Group is committed to the development of its employees and has developed a robust framework to facilitate this process. The Group employs various training and development initiatives and provides a number of training programmes, including:

- development programmes for technical and soft skills based on employees' needs (involving public training courses, in-house training and e-learning);
- development programmes for executives;
- emiratisation initiatives, including post graduate assistance; a "StarTrain" programme; an internships programme and a scholarship programme; and

- other initiatives such as employee engagement workshops and coaching workshops.

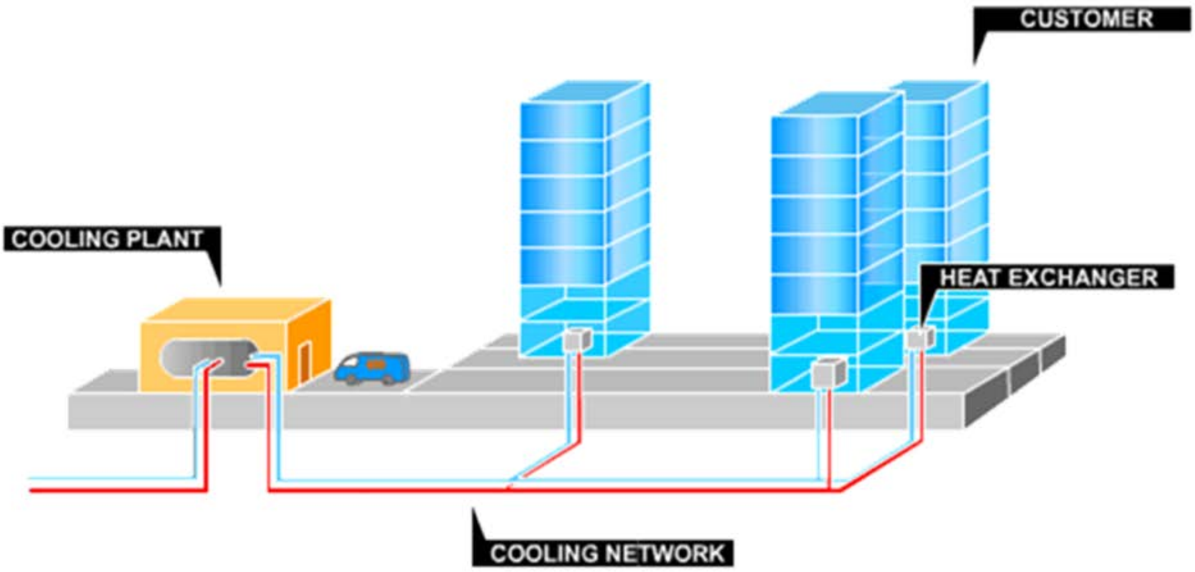
THE DISTRICT COOLING INDUSTRY

The information in this section is based on publicly available information. The Issuer and Tabreed accept responsibility for accurately reproducing the information and as far as the Issuer and Tabreed are aware no facts have been omitted which would render the information inaccurate or misleading, but the Issuer and Tabreed accept no further responsibility for such information. The information may be approximations or use rounded numbers.

Introduction

District cooling is a form of energy exchanging for air conditioning. It uses a central plant to cool water and distribute it through insulated pipes to customers' buildings through a dedicated closed network. At the customer's building, the chilled water passes through a heat exchanger where it cools the customer's own water circulating through their internal network. Air is then passed over the chilled water pipes in the customer's network to produce an air conditioned environment. The warmer water is returned to the central plant to be re-chilled and redistributed. The technology is similar to standard air conditioning systems. Each central plant consists of one or more chillers, heat exchangers, pumps and insulated piping. District cooling can be run on electricity, natural gas or wasted heat and, depending on the type of equipment installed, can use potable water, treated sewerage effluent or seawater for heat rejection. Gas powered plants are usually more expensive to install, but may be cheaper to operate depending on various parameters (including utility prices).

The picture below illustrates a typical district cooling plant and network.



District cooling achieves economies of scale through the use of a centralised plant, rather than individual chillers in each building avoiding contingencies at each unit level and taking advantage of diversity of loads connected. By reducing capital and energy costs, district cooling can reduce building operating costs and eliminate the capital cost of conventional air conditioning, whilst meeting environmental regulations with an outsourced service. In addition, in some cases, chilled water may be stored for peak time use through the installation of a thermal energy storage ("**TES**") tank, improving the cost-effectiveness of such solution.

District cooling output is measured in tons and ton-hours of cooling. One ton-hour of cooling is equivalent to 12,000 British thermal units ("**BTU**s"). Ton-hours are measured by recording the flow of water and the differential between the chilled water temperature at the point of supply and the warmer water temperature at the point of return. Plant capacity is specified in tons of cooling capacity.

District cooling systems can replace conventional air conditioning systems provided a sufficient scale/density is achieved, but primarily compete with air-cooled chiller systems serving larger buildings and installations. Most tall buildings have such chillers, typically mounted on the roof. In addition to consuming larger amounts of electricity, this typical building equipment is subject to an adverse operating environment, including extreme heat, saline humidity and windborne sand. Over time, performance, efficiency and reliability deteriorate, leading to higher running costs, significant maintenance costs, potential failures and, ultimately, to equipment replacement. In addition, air cooled equipment can be noisy and can create uncomfortable vibrations.

By switching to a district cooling technology, building owners stand to gain from a reduction in electricity consumption by up to 50 per cent., significant CO_2 reductions from an environmentally friendly solution and other benefits described below.

Benefits of District Cooling

Despite the potentially higher initial capital costs compared to alternative forms of cooling technology, the benefits of district cooling, both commercial and social, are recognised by building owners, property management companies, municipal governments, state planning committees and environmentalists.

The benefits of district cooling include:

- **Reduced construction costs**. By outsourcing the purchasing of the cooling equipment, the owner or manager of a large property does not need to invest in all the capital cost of a complete cooling infrastructure, which can represent up to 10 to 15 per cent. of the overall cost of a building.

- **Reduced operations and maintenance costs**. Larger buildings require a skilled workforce in air conditioning, security, ventilation, electricity and elevators. Outsourcing of cooling services leads to a reduction in building operation and maintenance costs and overheads as there are no on-site chillers to operate and maintain.

- **Higher reliability**. District cooling plants and networks are (i) operated by experienced teams and (ii) use state of the art industrial type equipment favouring higher reliability than alternative technologies. Some level of equipment redundancy, diversity of loads and high standards of maintenance contribute to achieve higher reliabilities.

- **Increased space in the building and value enhancement**. The space where the chiller would have been located is freed up for the construction of, for example, roof-top pools or gardens. The reduction in roof noise can also increase the value of top floors of large buildings.

- **Greater ability to control and regulate air quality**. Traditional systems are usually not adequately operated and controlled, in particular when output is below the optimal levels for which the system was designed. A district cooling system allows operators to match the supply and demand of cooling more exactly, ensuring there is always the right amount of energy in the system to take the heat away from the customer's premises.

- **Improved efficiency through economies of scale**. Cooling unit systems are typically designed with in-built overcapacity. A central cooling plant can be significantly more efficient since it is operated in accordance with the best utility practices and with a clear focus on efficiency.

- **Lower fuel consumption than an on-site system**. District cooling can substantially reduce the electricity costs of cooling a large property by achieving up to 50 per cent. savings in electricity consumption compared with stand-alone cooling solutions.

- **Reduced energy consumption and reduced peak energy demand.** It is currently estimated that 70 per cent. of the overall electricity consumption in the UAE during peak load periods in the summer is attributable to air conditioning systems. District cooling systems have been estimated to save up to 50 per cent. of energy consumption of conventional cooling, based on publications by the Dubai Regulatory and Supervisory Bureau for Electricity and Water (the "**RSB-Dubai"**), which leads to environmental benefits, including lower CO_2 emissions as a result of lower energy consumption (although to the extent that a plant uses desalinated water, this does not take into account the energy used in the desalination process). In addition, the use of TES can help shave electricity peak. There is therefore a strong rationale for having district cooling in the UAE.

- **Lower lifecycle costs**. District cooling can have the additional benefit of providing a less costly form of cooling when criteria such as a high load density, (high and/or unsubsidised) utility costs and diversity of loads meet. This enables a lower cost per RT hour compared with alternative cooling solutions.

GCC District Cooling Market

Tabreed pioneered commercial district cooling services in the UAE, when it commissioned the first plant (of 3,800 tons connected capacity) for the UAF in 1999. Since 1999, management estimates that the connected capacity operated by commercial district cooling service providers in the UAE market has grown to approximately 3 million tons, with Tabreed achieving close to 0.8 million tons of connected capacity in the UAE as at 30 June 2018.

Many countries in the GCC have articulated long-term development strategies and the region is characterised by a large number of strategic real estate projects. These projects create significant demand for cooling. The discussion of Tabreed's markets set out below is based on Tabreed's internal research and assessments.

Abu Dhabi

Abu Dhabi is a relatively mature market in terms of district cooling penetration and state of development. Tabreed believes that it has a dominant market share (in terms of connected capacity) of district cooling in Abu Dhabi.

Dubai

Dubai is a mature market in terms of district cooling penetration and state of development. Tabreed believes that it has the fourth largest market share (in terms of connected capacity) in Dubai, as discussed further below.

Qatar

Qatar is a growing market in terms of district cooling penetration and state of development, although political developments in Qatar create uncertainty. Tabreed believes that it has the dominant market share (in terms of connected capacity) in Qatar.

Saudi Arabia

Saudi Arabia is a large and growing market in terms of district cooling penetration and state of development. Tabreed believes that it has only a small market share (in terms of connected capacity) of district cooling in Saudi Arabia, although the market is characterised by captive district cooling and Tabreed believes that it is still the largest provider.

Oman

Oman is a small market in terms of district cooling penetration and state of development and offers relatively limited growth options. Tabreed believes that it the largest provider of district cooling in Oman although its market share is still likely to be less than 20 per cent., reflecting the fact that captive plants are also a feature of the Oman market. Oman remains the smallest market by connected capacity in the GCC in which Tabreed has a presence.

Competition

Tabreed is one of the leading district cooling companies in the GCC by connected capacity. It is also the only company with plants in each of the UAE, Qatar, Saudi Arabia, Oman and Bahrain.

Tabreed's principal competitors are based in Dubai and include Emirates Central Cooling Systems Corporation ("**Empower**"), which, according to its website, provides district cooling services to approximately 45,000 retail customers and operates 1.34 million RT according to its website. Empower is indirectly owned by the government of Dubai through two government owned companies.

Two other Dubai-based companies, Emaar District Cooling ("**EDC**"), which is a subsidiary of Emaar Properties PJSC, and Emirates District Cooling LLC ("**EmiCool**"), which is wholly owned by Dubai Investment PJSC, also provide district cooling services principally to retail customers but operate predominantly on a captive basis in that the majority of their district cooling facilities serve projects developed by their shareholder. Each of Empower, EDC and EmiCool currently operate wholly within the Emirate of Dubai.

The Group's competitive focus is to establish itself as the district cooling partner of choice in all the markets in which it operates. In this context, the key success factors for the Group are to:

- maintain its market leading positions in terms of connected capacity in the markets in which it operates;
- continue to provide high quality, reliable and cost-effective operations and services to all of its customers;
- maintain strong relationships with its customers to maximise the chance of winning new business from them;
- bid competitively for new projects, both in terms of price and by demonstrating a flexible approach to ensure that the customer's needs are met to the fullest extent possible; and
- leverage the strength of the Group's major shareholders in accessing opportunities in the GCC and wider region.

OVERVIEW OF THE UAE AND THE EMIRATE OF ABU DHABI

The UAE

The UAE is a federation of seven Emirates. Formerly known as the Trucial States, they were a British protectorate until they achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. The federal budget is principally funded by Abu Dhabi. The federation is governed by the Supreme Council of the Rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (who may serve for an unlimited number of renewable five-year terms). H.H. Sheikh Zayed bin Sultan Al Nahyan, the late Ruler of Abu Dhabi, held the position of President from 1971 until his death in November 2004. During his long presidency, H.H. Sheikh Zayed bin Sultan Al Nahyan oversaw massive investment in the infrastructure of the UAE, which transformed the country. Following his death, his son H.H. Sheikh Khalifa bin Zayed Al Nahyan took over as Ruler of Abu Dhabi and as President of the UAE.

Based on International Monetary Fund ("**IMF**") estimates for 2017 (extracted from the IMF's World Economic Database (April 2018)), the UAE is the third largest economy in the MENA region after Saudi Arabia and Iran based on nominal GDP and the second largest after Qatar based on nominal GDP per capita. It has a more diversified economy than most of the other countries in the Gulf Cooperation Council (the "**GCC**"). According to OPEC data, at 31 December 2017, the UAE had approximately 7 per cent. of the world's proven global oil reserves (giving it the sixth largest oil reserves in the world).

The UAE enjoys generally good relations with the other states in the GCC, although it has, along with certain other GCC and other countries, imposed sanctions on, and curtailed diplomatic relations with, Qatar and also has a longstanding territorial dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

Abu Dhabi

Abu Dhabi is the largest of the seven Emirates and the city of Abu Dhabi is also the capital of the UAE federation.

Abu Dhabi, with proven crude oil reserves estimated to be in excess of 90 billion barrels, has approximately 95 per cent. of the UAE's total oil reserves and approximately 6 per cent. of the world's proven oil reserves (which were 1,492 billion barrels according to OPEC at 31 December 2017). At the current rate of production (around 3 million barrels per day), Abu Dhabi's oil reserves are expected to last in excess of 80 years. In terms of production capacity, Abu Dhabi's onshore facilities currently exceed its offshore facilities. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu al-Bukhush oil fields rank among the world's largest. Abu Dhabi has approximately 93 per cent. of the UAE's natural gas resources. These were estimated by OPEC to be 6,091 billion standard cubic metres at 31 December 2017 and represented approximately 3 per cent. of the world's natural gas according to OPEC.

Summary Abu Dhabi Statistical Data

Abu Dhabi nominal GDP

The table below shows Abu Dhabi's nominal GDP and its percentage growth rate for each of the years indicated.

	2013	**2014**	**2015**	**2016**	**2017**
			(AED millions)		
Abu Dhabi nominal GDP (current prices)..................................	931,773	960,146	778,501	760,396	832,470
Percentage change in Abu Dhabi nominal GDP	2.4	3.0	(18.9)	(2.3)	9.5

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Source: Statistics Centre – Abu Dhabi (**SCAD**)

Abu Dhabi's GDP is generated principally by the hydrocarbon sector (mining and quarrying), which contributed 54.5 per cent. of nominal GDP in 2013, 50.6 per cent. in 2014, 35.1 per cent. in 2015, 31.7 per cent. in 2016 and 35.9 per cent. in 2017. Outside the hydrocarbon sector, the principal contributors to Abu Dhabi's nominal GDP in each of 2013, 2014, 2015, 2016 and 2017 have been:

- construction (which accounted for 9.9 per cent. of Abu Dhabi's nominal GDP in 2017);
- financial and insurance activities (which accounted for 9.0 per cent. of Abu Dhabi's nominal GDP in 2017);
- public administration and defence, compulsory social service (which accounted for 7.3 per cent. of Abu Dhabi's nominal GDP in 2017);
- manufacturing (which accounted for 6.5 per cent. of Abu Dhabi's nominal GDP in 2017);
- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 5.7 per cent. of Abu Dhabi's nominal GDP in 2017);
- real estate activities (which accounted for 5.4 per cent. of Abu Dhabi's nominal GDP in 2017);and
- electricity, gas and water supply; waste management activities (which accounted for 4.1 per cent. of Abu Dhabi's nominal GDP in 2017).

Together, these non-hydrocarbon sectors accounted for 32.9 per cent. of nominal GDP in 2013, 36.0 per cent. in 2014, 47.8 per cent. in 2015, 51.1 per cent. in 2016 and 47.9 per cent. in 2017.

Abu Dhabi real GDP

In common with general practice among hydrocarbon-producing countries, Abu Dhabi's real GDP is calculated using hydrocarbon prices from a base year (in Abu Dhabi's case, 2007). This eliminates the effect of volatile price changes in hydrocarbon products on real hydrocarbon GDP and instead shows only the effects of production changes, which are adjusted using a deflator. The production figures that are included in the calculation of hydrocarbon real GDP include both oil and gas production, as well as certain related product production.

Abu Dhabi's real GDP grew during the period between 2014 and 2016 and contracted during 2017. The tables below show the growth rates in Abu Dhabi's real GDP by hydrocarbon sector and non-hydrocarbon sector for each of the years indicated.

	2013	2014	2015	2016	2017
			(*per cent.*)		
Abu Dhabi hydrocarbon real GDP growth	3.1	0.5	4.4	2.7	(2.9)
Abu Dhabi non-hydrocarbon real GDP growth	6.1	8.6	5.5	2.4	1.8
Abu Dhabi total real GDP growth	4.5	4.4	4.9	2.6	(0.5)

Source: SCAD

Real growth in the hydrocarbon sector has been driven principally by production changes. The non-hydrocarbon sector of the economy has also grown, although real GDP growth rates for that sector have declined since 2014 and were 1.8 per cent. in 2017.

The table below shows Abu Dhabi's real GDP and its percentage growth rate for each of the years indicated.

	2013	2014	2015	2016	2017
			(*AED millions*)		
Abu Dhabi real GDP (constant 2007 prices)	702,941	733,825	770,011	789,716	785,591
Percentage change in Abu Dhabi real GDP	4.5	4.4	4.9	2.6	(0.5)

Source: SCAD

The fastest growing sectors between 2013 and 2017 in real GP terms were:

- electricity, gas and water supply; waste management, with a compound annual growth rate of 11.23 per cent.;
- activities of households as employers, with a compound annual growth rate of 9.98 per cent.;
- financial institutions and insurance, with a compound annual growth rate of 9.09 per cent.;
- wholesale and retail trade; repair of motor vehicles and motorcycles, with a compound annual growth rate of 7.31 per cent.; and
- real estate activities, with a compound annual growth rate of 6.96 per cent.

UAE and Abu Dhabi population

The International Bank for Reconstruction and Development (the World Bank) has estimated the population of the UAE as a whole to be approximately 9.4 million in 2017. SCAD estimated the population of Abu Dhabi to be approximately 2.9 million as at 30 June 2016.

The populations of both the UAE and Abu Dhabi have grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2015.

Population of Abu Dhabi and the UAE

	1985	1995	2005	2010	2016
UAE population					
Abu Dhabi population	566,036	942,463	1,399,484	2,094,480(1)	2,908,173(1)

Note:

(1) SCAD estimates as at 30 June.

Source: SCAD

According to SCAD data, the historic annual average growth rate of the population between 2010 and 2016 was 5.6 per cent., with the national population growing at an average 3.9 per cent. over the period and the non-national population growing at an annual average of 6.0 per cent. over the period. The population mix in 2016 is estimated to have comprised 19.0 per cent. UAE nationals and 81.0 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.01 males to 1 female at 30 June 2016), reflecting the fact that the population principally comprises male migrant workers.

Abu Dhabi inflation

The table below sets out annual inflation rates in Abu Dhabi for each of the years indicated:

	2013	2014	2015	2016	2017
Consumer prices (percentage change, year on year)	1.3	3.2	4.2	2.0	1.6

Source: SCAD

The lower rate of inflation in 2016 compared to the rate for 2015 principally reflected the fact that the consumer price index has been re-weighted (using data from the 2014 household income and expenditure survey) with effect from 1 January 2016 (with the new weights being applied to 2015 monthly data for the purposes of consistent calculation). Among other changes, this re-weighting resulted in a reduction in the weighting for the most significant component: housing, water, electricity, gas and other fuels.

According to SCAD, the Abu Dhabi inflation rate in July 2018 was 3.8 per cent. compared with July 2017. Inflation in Abu Dhabi in the first seven months of 2018 ranged between a high of 4.7 per cent. in January and a low of 2.7 per cent. in March, in each case when compared against the same month in the previous year.

Summary Dubai Statistical Data

Dubai is the second largest of the seven Emirates. Since the UAE was established, when approximately half of Dubai's GDP was oil-related, the emirate's reliance on oil has decreased significantly and Dubai now has a diversified economy. Reflecting the emirate's strategic geographic location, rising levels of international trade and the Government's long-standing strategy of positioning the emirate as a trading centre, the wholesale and retail trade (which includes automotive repair) sector is the principal contributor to GDP.

Dubai nominal GDP

The table below shows Dubai's nominal GDP and its percentage growth rate for each of the years indicated.

	2013	2014	2015	2016	2017
			(*AED millions*)		
Dubai nominal GDP (current prices)	364,282	378,881	388,816	395,835	410,564
Percentage change in Dubai nominal GDP	7.5	4.0	2.6	1.8	3.7

Source: Dubai Statistics Centre

The principal contributors to Dubai's nominal GDP are:

- wholesale and retail trade, repair of motor vehicles and motorcycles (which accounted for 25.8 per cent. of Dubai's nominal GDP in 2017);
- transportation and storage (which accounted for 11.2 per cent. of Dubai's nominal GDP in 2017);
- financial and insurance activities (which accounted for 11.0 per cent. of Dubai's nominal GDP in 2017);
- manufacturing (which accounted for 9.0 per cent. of Dubai's nominal GDP in 2017);
- real estate activities (which accounted for 6.8 per cent. of Dubai's nominal GDP in 2017);
- public administration and defence; compulsory social security (which accounted for 6.8 per cent. of Dubai's nominal GDP in 2017);and
- construction (which accounted for 6.5 per cent. of Dubai's nominal GDP in 2017).

Together, these sectors accounted for 77.1 per cent. of Dubai's nominal GDP in 2017.

Dubai real GDP

Dubai's real GDP grew during the period between 2013 and 2017. The table below shows the growth rates in Dubai's real GDP for each of the years indicated.

The table below shows Dubai's real GDP and its percentage growth rate for each of the years indicated.

	2013	**2014**	**2015**	**2016**	**2017**
			(AED millions)		
Dubai real GDP (constant prices)...	338,343	353,422	367,437	378,765	389,444
Percentage change in Dubai real GDP	4.8	4.5	4.0	3.1	2.8

Source: Dubai Statistics Center

Almost every sector in Dubai grew in real terms between 2013 and 2017, with some of the very small sectors showing the fastest growth rates. Of the sectors that contributed more than 2 per cent. to Dubai's real GDP in 2017, the fastest growing between 2013 and 2017 in real GDP terms were:

- accommodation and food service activities, with a compound annual growth rate of 8.24 per cent.;
- administrative and support service activities, with a compound annual growth rate of 7.13 per cent.;
- transportation and storage, with a compound annual growth rate of 6.48 per cent.;
- electricity, gas and water supply; waste management, with a compound annual growth rate of 6.29 per cent.; and
- real estate activities, with a compound annual growth rate of 5.73 per cent.

Dubai population

The population of Dubai has grown significantly since 1985, reflecting an influx of foreign labour, principally from Asia, as the emirates have developed. The table below illustrates this growth since 1985, using census data for each of 1985, 1995 and 2015.

Population of Dubai

	1985	**1995**	**2005**	**2010**	**2017**
Dubai population	370,788	689,420	1,321,453	1,905,476[(1)]	2,976,455

Note:

(1) Dubai Statistics Center estimate as at 31 December.

Source: Dubai Statistics Center

The population mix in Dubai at 31 December 2017 is estimated to have comprised 8.2 per cent. UAE nationals and 91.8 per cent. non-nationals. The majority of the non-national population is male (with a ratio of 2.35 males to 1 female at 31 December 2017), reflecting the fact that the population principally comprises male migrant workers.

Dubai inflation

The table below sets out annual inflation rates in Dubai for each of the years indicated:

	2013	2014	2015	2016	2017
Consumer prices (percentage change, year on year)	1.31	3.37	3.65	2.91	2.10

Source: Dubai Statistics Center

The increased rate of inflation in 2014 compared to the rate for 2013 principally reflected increases in housing costs and the costs of food and beverages as well as education. In 2016, the rate of inflation was lower than in 2015, principally reflecting decreases in housing, transportation and clothing and footwear (which are the three largest components of the consumer price index).

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the offices of the Trustee and the Principal Paying Agent (as defined in the Conditions).

Purchase of Services Agreement

The Purchase of Services Agreement will be entered into on the Closing Date between the Trustee (as purchaser) and Tabreed (as seller, in such capacity the "**Seller**"). The Purchase of Services Agreement will be governed by English law.

Pursuant to the Purchase of Services Agreement, on the Closing Date, the Seller will sell to the Trustee and the Trustee will purchase from the Seller: (i) certain Plant Capacity (including all rights, interests, title, benefits and entitlements, present and future, in, to and under such Plant Capacity) (the "**Allotted Plant Capacity**") which will be made available to the Trustee with effect from the first day of each period identified in the schedule to the Purchase of Services Agreement until the last day of each such period (each such period a "**Distribution Period**"); and (ii) certain additional Plant Capacity (including all rights, interests, title, benefits and entitlements, present and future, in, to and under such Plant Capacity) (the "**Additional Plant Capacity**") which will be made available to the Trustee with effect from the first day of the last Distribution Period identified in the schedule to the Purchase of Services Agreement until the last day of such Distribution Period, in each case, out of Tabreed's available capacity and from the Plants of Tabreed (the "**Relevant Plants**") identified in the Purchase of Services Agreement, in consideration for payment of a purchase price equal to the proceeds of issuance of the Certificates (being the principal amount of the Certificates on the Closing Date).

Service Agency Agreement

The Service Agency Agreement will be entered into on the Closing Date between the Trustee (as principal) and Tabreed (as service agent, in such capacity, the "**Service Agent**"). The Service Agent and the Trustee shall enter into a services plan (the "**Services Plan**") on the Closing Date. The Service Agency Agreement will be governed by English law.

Under the terms of the Service Agency Agreement the Trustee will appoint Tabreed as its Service Agent to provide certain services (the "**Services**") from the Closing Date to the date on which the Certificates have been redeemed in full (the "**Services Period**"). In particular, the Service Agent undertakes to provide, or procure the provision of, amongst other services more particularly specified in the Service Agency Agreement, the following Services:

(a) it shall, exclusively for and on behalf of the Trustee, in respect of each Distribution Period, sell the relevant Allotted Plant Capacity delivered during the same Distribution Period in the quantity specified for the relevant Distribution Period in the Services Plan at a price at least equal to the applicable minimum sale price (in respect of each RTH) specified in the Services Plan (the "**Minimum Sale Price**"), which shall be calculated by applying the relevant Profit Rate to the acquisition cost per RTH (as specified in the Purchase of Services Agreement);

(b) if the Service Agent:

  (i) fails to sell all of the Allotted Plant Capacity in respect of a Distribution Period; and/or

  (ii) sells all or a portion of the Allotted Plant Capacity for less than the Minimum Sale Price in respect of a Distribution Period,

  it shall notify the Trustee in writing in accordance with the Service Agency Agreement, in each case by no later than the date falling five (5) Business Days prior to the end of the Distribution Period to which such Allotted Plant Capacity relate specifying:

    (A) in the case of paragraph (i) above, the quantity of Allotted Plant Capacity that was not sold during the relevant Distribution Period (such unsold Allotted Plant Capacity being the "**Surplus Allotted Plant Capacity**"); and/or

(B) in the case of paragraph (ii) above, the Sales Shortfall determined in the manner described below,

and in connection therewith the Service Agent undertakes that it will not, following a notification in accordance with this paragraph (b), sell any further Allotted Plant Capacity in respect of the Distribution Period to which such notification relates; and

(c) it shall monitor, and keep an internal record of, the aggregate Allotted Plant Capacity held by the Trustee or by Tabreed on its behalf that have not been sold to end customers pursuant to the provisions of the Service Agency Agreement or to Tabreed pursuant to the other Transaction Documents (the "**Outstanding Plant Capacity**") and all amounts credited to the Collection Account and Reserve Account (each as defined below), in each case from time to time.

The Service Agent agrees that if in respect of any Distribution Period any Allotted Plant Capacity is sold for less than the Minimum Sale Price, (the difference between (a) the aggregate amounts received by the Service Agent in whatever currency in respect of the sale of the relevant Allotted Plant Capacity (the "**Sales Proceeds**"); and (b) the aggregate of the Minimum Sale Price for such Allotted Plant Capacity being referred to as the "**Sales Shortfall**"), the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts previously deducted as required pursuant to the terms of the Service Agency Agreement, the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) the Sales Shortfall and shall ensure that an amount in cash equal to such Sales Shortfall is paid into the Transaction Account by no later than the immediately following Distribution Determination Date (as defined in the Service Agency Agreement) (or, if earlier, by no later than the Business Day immediately preceding the Dissolution Date or Change of Control Partial Put Date) to ensure that the Trustee receives on each Distribution Determination Date the Required Amount (as defined below) payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date (or, as the case may be, all such amounts as are required to be paid on the Dissolution Date or Change of Control Partial Put Date in respect of such Certificates).

The Service Agent will, on the Closing Date, create and thereafter maintain two ledger accounts as internal records (such accounts being referred to as the "**Collection Account**" and the "**Reserve Account**") each of which shall be denominated in U.S. dollars and shall maintain and operate each such account for the relevant Services Period. An amount equal to all Sales Proceeds in relation to the Certificates will be recorded in the relevant Collection Account as and when received.

The Service Agent will procure the application of the amounts standing to the credit of the Collection Account on each Distribution Determination Date and on the Business Day immediately preceding each Dissolution Date in the following order of priority:

(a) *first*:

(i) in respect of such Distribution Determination Date, in payment into the Transaction Account (as defined in the Service Agency Agreement) of the Required Amount payable on the immediately following Periodic Distribution Date; or

(ii) in respect of a Dissolution Date, an amount equal to any shortfall between the amounts standing to the credit of the Transaction Account on the Business Day immediately preceding such Dissolution Date and the amount required to redeem the Certificates in full,

or, in each case, such lesser amount as is then standing to the credit of the Collection Account; and

(b) *second*, for credit to the Reserve Account.

For these purposes, "**Required Amount**" means, in relation to each Periodic Distribution Date:

(a) in relation to a Periodic Distribution Date which is not also the Scheduled Dissolution Date, an amount equal to the Periodic Distribution Amounts payable by the Trustee in respect of the Certificates on the Periodic Distribution Date; and

(b) in relation to a Periodic Distribution Date which is also the Scheduled Dissolution Date, an amount equal to the Final Dissolution Amount payable by the Trustee in respect of the Certificates on the Scheduled Dissolution Date,

in each case, less such amount as is standing to the credit of the Transaction Account and available for the purposes of making a payment to Certificateholders on the relevant Periodic Distribution Date or the Scheduled Dissolution Date, as the case may be.

Amounts standing to the credit of the Reserve Account shall be applied by the Service Agent as follows:

(a) if on a Distribution Determination Date (after (i) payment of an amount equal to the amounts standing to the credit of the Collection Account into the Transaction Account in accordance with the paragraph above and (ii) taking into account any other payments made or to be made into the Transaction Account pursuant to any other Transaction Document) there is a shortfall between (a) the amounts standing to the credit of the Transaction Account and (b) the Periodic Distribution Amounts or Final Dissolution Amount, as applicable payable on the immediately following Periodic Distribution Date (each a "**Shortfall**"), by paying into the Transaction Account on that Distribution Determination Date an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account, after the re-credit to the Reserve Account of all amounts (if any) that were previously deducted by and used for the account of the Service Agent in accordance with the Service Agency Agreement);

(b) the Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the relevant Services Period and use such amounts for its own account, *provided that* it shall re-credit all such amounts to the Reserve Account if so required to fund a Shortfall in accordance with paragraph (a) above or a Sales Shortfall; and

(c) following payment in full of all amounts due and payable under the Certificates on the relevant Dissolution Date, the Service Agent shall be entitled to retain (i) any amounts deducted pursuant to paragraph (b) above (and not re-credited to the relevant Reserve Account as contemplated by paragraph (b) above) and (ii) any amounts that remain standing to the credit of the relevant Reserve Account on such date for its own account as a final incentive fee for acting as Service Agent in relation to the Certificates (each an "**Incentive Payment**").

If, in relation to the Certificates:

(a) the Trustee or the Delegate has delivered an Exercise Notice pursuant to clause 3.1(a) of the Purchase Undertaking; or

(b) the Trustee has delivered an Exercise Notice pursuant to clause 3.1(b) of the Purchase Undertaking,

the Service Agent shall:

(i) on the Dissolution Event Redemption Date (in the case of paragraph (a) above) or the relevant Distribution Determination Date (in the case of paragraph (b) above), immediately credit the relevant Exercise Price or Sale Exercise Price (each as defined below), as the case may be, to the Collection Account; and

(ii) (in the case of paragraph (a) above):

(A) on the Dissolution Event Redemption Date, debit an amount equal to the Relevant Amount from the Collection Account and pay a cash sum equal to the Relevant Amount into the Transaction Account (in U.S. dollars by wire transfer for same day value) for the purposes of redemption of the outstanding Certificates in full in accordance with the Conditions on the Dissolution Event Redemption Date; and

(B) (to the extent that the Service Agent fails to pay the relevant cash sum equal to the Relevant Amount into the Transaction Account in accordance with sub-paragraph (A) above) on the Payment Default Redemption Date, pay a cash sum equal to the lesser of (i) the Payment Default Amount; and (ii) the Maximum Payment Default Amount into the Transaction Account (in United States dollars by wire transfer for same day value) for the purposes of paying all amounts due and payable to Certificateholders in accordance with Condition 8(c) (*Cessation of Profit Entitlement*); or

(iii) (in the case of paragraph (b) above), debit an amount equal to the Required Amount from the Collection Account and pay a cash sum equal to the Required Amount into the Transaction Account (in U.S. dollars by wire transfer for same day value) (to the extent not already paid in accordance with the terms of this Agreement) for the purposes of paying all amounts due and payable to Certificateholders in accordance with the Conditions on the relevant Periodic Distribution Date or, as the case may be, the Scheduled Dissolution Date.

For these purposes:

"**Maximum Payment Default Amount**" means an amount in U.S. dollars equal to the product of (a) the Additional Plant Capacity (measured in RTHs) and (b) the Minimum Sale Price;

"**Payment Default Amount**" means, in relation to an exercise of the Trustee's right pursuant to clause 3.1(a) of the Purchase Undertaking, an amount equal to:

(a) the aggregate of all amounts (if any) payable pursuant to Condition 8(c) (*Cessation of Profit Entitlement*),

less

(b) such amount as is standing to the credit of the Transaction Account and available for the purposes of making a payment to Certificateholders on the Payment Default Redemption Date;

"**Payment Default Redemption Date**" means following an exercise of the Trustee's right pursuant to clause 3.1(a) of the Purchase Undertaking, the date falling after the Dissolution Event Redemption Date on which the Relevant Amount is actually transferred to the Transaction Account in full; and

"**Relevant Amount**" means, in relation to an exercise of the Trustee's right pursuant to clause 3.1(a) of the Purchase Undertaking, an amount equal to the aggregate of:

(a) the aggregate face amount of the Certificates then outstanding; and

(b) an amount equal to all due but unpaid Periodic Distribution Amounts relating such Certificates to but excluding the Dissolution Event Redemption Date,

less such amount as is standing to the credit of the Transaction Account and available for the purposes of making a payment to Certificateholders on the Dissolution Event Redemption Date.

The Service Agent and the Trustee have agreed in the Service Agency Agreement that the Additional Plant Capacity shall not be permitted to be sold by the Service Agent and shall only be available for sale by the Trustee to Tabreed pursuant to, and in accordance with, the Purchase Undertaking. Following redemption of the Certificates in whole but not in part on the Scheduled Dissolution Date (or, if earlier, any Change of Control Full Put Date, Tax Redemption Date, Optional Dissolution Clean Up Call Date, Dissolution Event Redemption Date or any date on which all of the Certificates are cancelled in accordance with the Conditions), in each case as provided in the Conditions, to the extent that the Additional Plant Capacity has not been sold to Tabreed pursuant to a Purchase Undertaking Sale Agreement (as defined herein) such Additional Plant Capacity shall be immediately transferred to the Service Agent by the Trustee (without the need for any further formality) as a performance incentive in kind.

All payments by the Service Agent to the Trustee shall be made net of Taxes (as defined in the Service Agency Agreement), where the withholding or deduction of the Taxes is required by law. In such event, and/or if additional amounts are payable by the Trustee in respect of the Certificates in accordance with Condition 11 (*Taxation*), the Service Agent will pay such Taxes and/or amounts equal to such additional amounts by payment to the Transaction Account in U.S. dollars by wire transfer for same day value so that the full amount which otherwise would have been due and payable to the Trustee, and/or which otherwise would have been due and payable under the Certificates, is received by the Trustee.

Purchase Undertaking

Tabreed will enter into a purchase undertaking (the "**Purchase Undertaking**") on the Closing Date in favour of the Trustee and the Delegate, which will be governed by English law.

Under the terms of the Purchase Undertaking, Tabreed irrevocably undertakes to purchase from the Trustee:

(a) the relevant Outstanding Plant Capacity and the Additional Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under them) on the Dissolution Event Redemption Date, in each case, at the relevant Exercise Price;

(b) the relevant Surplus Allotted Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under them) on any Distribution Determination Date, at the relevant Sale Exercise Price; and

(c) the relevant Change of Control Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under them) on the relevant Change of Control Partial Put Date (where the Change of Control Put Option has been exercised in respect of some (but not all) of the Certificates) or, as applicable, the relevant Change of Control Full Put Date (where the Change of Control Put Option has been exercised in respect of all of the Certificates), in each case at the relevant Change of Control Exercise Price,

in each case, by the Trustee delivering an Exercise Notice to Tabreed in accordance with the terms of the Purchase Undertaking, following which Tabreed shall pay the relevant amounts in accordance with the terms of the Purchase Undertaking and for the purposes of which Tabreed shall enter into a sale agreement with the Trustee in the form scheduled to the Purchase Undertaking (a "**Purchase Undertaking Sale Agreement**").

In addition, under the Purchase Undertaking, Tabreed undertakes, *inter alia*, that if:

(a) it or any administrator, liquidator or receiver of it disputes or challenges the Trustee's rights, title, interests, title, benefits and entitlements, present and future, in, to and under the Outstanding Plant Capacity, Additional Plant Capacity, Surplus Allotted Plant Capacity and/or Change of Control Plant Capacity (as the case may be); or

(b) any Exercise Price, Sale Exercise Price or Change of Control Exercise Price (as applicable) relating to the exercise of the rights granted under the Purchase Undertaking is not paid for any reason,

Tabreed shall (as an independent, severable and separately enforceable obligation) pay to the Trustee (by way of indemnity on an after tax basis) (by way of payment into the Transaction Account) an amount which, when aggregated with amounts already standing to the credit of the Transaction Account and available for the purposes of making a payment to Certificateholders on the relevant Dissolution Event Redemption Date, Periodic Distribution Date, Change of Control Partial Put Date or Change of Control Full Put Date (as applicable), is equal to:

(i) the Relevant Amount (in respect of the payment due under the Purchase Undertaking on the Dissolution Event Redemption Date);

(ii) the Required Amount (in respect of the payment due under the Purchase Undertaking on each relevant Distribution Determination Date); or

(iii) the Change of Control Exercise Price (in respect of the payment due under the Purchase Undertaking on the relevant Change of Control Partial Put Date or, as applicable, Change of Control Full Put Date).

All payments by Tabreed under the Purchase Undertaking and any Purchase Undertaking Sale Agreement must be made free and clear of, and without any deduction or withholding for, any Taxes (as defined in the Purchase Undertaking) unless required by law and without set-off or counterclaim of any kind and, if there is any such deduction or withholding, Tabreed undertakes that it shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made and accordingly Tabreed undertakes to pay to the Trustee or such other persons as the Trustee may direct such additional amounts forthwith upon demand and in the manner and currency prescribed thereunder.

For the purposes of this sub-section:

"**Change of Control Exercise Price**" means, in relation to the exercise of a Change of Control Put Option, an amount in U.S. dollars equal to the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Option plus all due but unpaid Periodic Distribution Amounts relating to such Certificates.

"**Change of Control Plant Capacity**" means, in relation to the exercise of a Change of Control Put Option, such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing the relevant Change of Control Exercise Price by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity), as specified in the relevant Exercise Notice.

"**Exercise Price**" means an amount in U.S. dollars equal to the product of (a) the aggregate of the Outstanding Plant Capacity (determined as at the Dissolution Event Redemption Date) and Additional Plant Capacity (in each case measured in RTHs) and (b) the Minimum Sale Price.

"**Sale Exercise Price**" means, in relation to any Surplus Allotted Plant Capacity, an amount in U.S. dollars equal to the product of (a) the relevant Surplus Allotted Plant Capacity and (b) the Minimum Sale Price.

Sale Undertaking

The Trustee will enter into a sale undertaking (the "**Sale Undertaking**") on the Closing Date in favour of Tabreed, which will be governed by English law.

Under the terms of the Sale Undertaking, the Trustee irrevocably undertakes to sell or transfer and convey (as applicable) to Tabreed:

(a) the relevant Outstanding Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under such Outstanding Plant Capacity) on the relevant Tax Redemption Date at the relevant Exercise Price;

(b) the Optional Dissolution (Clean Up Call) Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under such Optional Dissolution (Clean Up Call) Plant Capacity) on the relevant Optional Dissolution Clean Up Call Date at the Optional Dissolution (Clean Up Call) Exercise Price; and

(c) the Cancellation Plant Capacity (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under them) on any Cancellation Date, in consideration for cancellation of any Certificates that have been purchased by Tabreed or any of its Subsidiaries (the "**Cancellation Certificates**"),

in each case, by Tabreed delivering an Exercise Notice to the Trustee in accordance with the terms of the Sale Undertaking, following which Tabreed shall pay the relevant amounts in accordance with the terms of the Sale Undertaking (in respect of paragraphs (a) and (b) above), and for the purposes of which Tabreed shall enter into a sale agreement with the Trustee in the form scheduled to the Sale Undertaking (a "**Sale Undertaking Sale Agreement**"). The transfer and conveyance of the Cancellation Plant Capacity (in respect of paragraph (c) above) (together with all of the Trustee's rights, interests, title, benefits and entitlements, present and future, in, to and under them) to Tabreed shall be evidenced by the entry into of a transfer agreement between Tabreed and the Trustee.

For the purposes of this sub-section:

"**Cancellation Plant Capacity**" means such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing (a) the aggregate face amount of the relevant Cancellation Certificates plus all due but unpaid Periodic Distribution Amounts relating to such Cancellation Certificates by (b) the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity).

"**Exercise Price**" means an amount in U.S. dollars equal to the sum of (i) the aggregate outstanding face amount of the Certificates and (ii) all due but unpaid Periodic Distribution Amounts relating to such Certificates.

"**Optional Dissolution (Clean Up Call) Exercise Price**" means, in relation to the exercise of an Optional Dissolution Right (Clean Up Call), an amount in U.S. dollars equal to the aggregate face amount of the Certificates then outstanding (which shall be no more than 20 per cent. of the aggregate face amount of the Certificates upon issue thereof on the Closing Date) and being redeemed pursuant to the Optional Dissolution Right (Clean Up Call) plus all due but unpaid Periodic Distribution Amounts relating to such Certificates.

"**Optional Dissolution (Clean Up Call) Plant Capacity**" means, in relation to the exercise of an Optional Dissolution Right (Clean Up Call), such quantity of Outstanding Plant Capacity (measured in RTHs) as is determined on a *pro rata* basis by dividing the Optional Dissolution (Clean Up Call) Exercise Price by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Plant Capacity), as specified in the relevant Exercise Notice.

Agency Agreement

Pursuant to an agency agreement (the "**Agency Agreement**") entered into on the Closing Date between, amongst others, the Trustee, Tabreed and the Principal Paying Agent, provision will be made for, *inter alia*, payment of all sums due in respect of the Certificates.

The Declaration of Trust

A declaration of trust (the "**Declaration of Trust**") will be entered into on the Closing Date between Tabreed, the Trustee and the Delegate and is governed by English law.

Upon the issue of the Global Certificate initially representing the Certificates, the Declaration of Trust shall constitute the Trust declared by the Trustee in relation to the Certificates.

The Trust Assets in respect of the Certificates shall comprise: (i) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (ii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Plant Capacity which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Transaction Documents; (iii) the interests, rights, title, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Tabreed to the Trustee and/or the Delegate pursuant to any of the Transaction Documents; and (ii) the covenant given to the Trustee and/or the Delegate pursuant to clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (iv) all monies standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing which are held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

(a) hold the Trust Assets on trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the provisions of the Declaration of Trust;

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

The Trustee has irrevocably and unconditionally appointed the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) to: (i) execute, deliver and perfect all documents; (ii) exercise all of the present and future powers, trusts, authorities and discretions vested in the Trustee by the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, exercise all of the rights of the Trustee under the Purchase Undertaking, the Service Agency Agreement and any of the other Transaction Documents; and (iii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the

Declaration of Trust (the foregoing being the "**Delegation**" of the "**Relevant Powers**"), *provided that*: (a) no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation; (b) in no circumstances will such Delegation result in the Delegate holding on trust or managing the Trust Assets; and (c) the Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers. The appointment of such Delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the Delegation of the Relevant Powers, certain powers under the Declaration of Trust have been vested solely in the Delegate, including, *inter alia*, the power to determine whether, in the case of a Dissolution Event only, the Certificates should become immediately due and payable, the power to waive or authorise a breach or proposed breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such and the power to consent to certain types of amendments to the Transaction Document (in each case if in the opinion of the Delegate it is not materially prejudicial to the interests of the Certificateholders).

The Declaration of Trust specifies, *inter alia*, that:

(i) following the enforcement, realisation of the Certificates and ultimate distribution of the net proceeds of the Trust Assets in respect of the Certificate to the Certificateholders in accordance with the Conditions and the Declaration of Trust, neither the Trustee nor the Delegate shall be liable for any further sums and, accordingly, the Certificateholders may not take any action against the Trustee, the Delegate, the Agents or any other person (including Tabreed) to recover any such sum or asset of the Certificates or the Trust Assets;

(ii) no Certificateholder shall be entitled to proceed directly against the trustee or Tabreed under any Transaction Document to which either of them is a party unless: (a) the Delegate, having become bound so to proceed: (i) fails; or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, in each case, within a reasonable period and such failure or inability is continuing; and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or Tabreed as the case may be) holds at least one fifth of the then outstanding aggregate face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets and the sole right of the Delegate and the Certificateholders against the Trustee and/or Tabreed shall be to enforce their respective obligations under the Transaction Documents to which each is a party; and

(iii) neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or realise the Trust Assets or take any action against, in the case of the Delegate only, the Trustee and/or, in the case of the Trustee or the Delegate, Tabreed under any Transaction Document to which either the Trustee or Tabreed is a party unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable and *provided that* neither the Trustee nor the Delegate shall be held liable for the consequences of exercising or not exercising its discretion or taking or not taking any such action and may do so without having regard to the effect of such action or the failure to take action on individual Certificateholders.

The foregoing sub-paragraphs are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 6(b) (*The Trust – Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee, the Delegate, the Agents or any other person (including Tabreed) to recover any further sum or asset in respect of the Certificates or the Trust Assets and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the

Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

Tabreed undertakes to the Trustee and the Delegate that, if any amount payable by Tabreed to the Trustee or the Delegate pursuant to any Transaction Document is not recoverable from Tabreed for any reason whatsoever or the Trustee, the Delegate or any Certificateholder suffers any cost, expense or loss as a result of the Trustee's holding of any Trust Asset, then Tabreed will indemnify the Delegate and the Trustee (with any amounts owing to the Delegate ranking in priority to those owing to the Trustee) or any Certificateholder against all properly incurred losses, claims, costs, charges and expenses, excluding the costs of funding the same, to which it may be subject or which it may incur under or in respect of the Transaction Documents (in each case, without double counting in respect of such indemnity amounts paid under the other Transaction Documents).

Additionally, Tabreed undertakes to the Trustee and the Delegate that if:

(a) if it or any administrator, liquidator or receiver of it disputes or challenges the Trustee's rights, title, interests, title, benefits and entitlements, present and future, in, to and under the Outstanding Plant Capacity, Additional Plant Capacity, Surplus Allotted Plant Capacity and/or Change of Control Plant Capacity (as the case may be); or

(b) any Exercise Price, Sale Exercise Price or Change of Control Exercise Price (as applicable) relating to the exercise of the rights granted under the Purchase Undertaking is not paid for any reason,

Tabreed shall (as an independent, severable and separately enforceable obligation) pay to the Trustee (by way of indemnity on an after tax basis) (by way of payment into the Transaction Account) an amount which, when aggregated with amounts already standing to the credit of the Transaction Account and available for the purposes of making a payment to Certificateholders on the relevant Dissolution Event Redemption Date, Periodic Distribution Date, Change of Control Partial Put Date or Change of Control Full Put Date (as applicable), is equal to:

(i) the Relevant Amount (in respect of the payment due under the Purchase Undertaking on the Dissolution Event Redemption Date);

(ii) the Required Amount (in respect of the payment due under the Purchase Undertaking on each relevant Distribution Determination Date); or

(iii) the Change of Control Exercise Price (in respect of the payment due under the Purchase Undertaking on the relevant Change of Control Partial Put Date or, as applicable, Change of Control Full Put Date).

***Shari'a* Compliance**

Each Transaction Document provides that each of Tabreed Sukuk SPC Limited (to the extent it is a party to the relevant Transaction Document) and National Central Cooling Company PJSC (to the extent it is a party to the relevant Transaction Document) agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(i) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;

(ii) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and

(iii) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Clearstream, Luxembourg or Euroclear (together, the "**Clearing Systems**") in effect as at the date of this Prospectus. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Trustee, Tabreed, the Delegate nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Transfers of Certificates Represented by a Global Certificate

Transfers of any interests in Certificates represented by a Global Certificate within Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Certificates represented by a Global Certificate to such persons may depend upon the ability to exchange such Certificates for Certificates in definitive form.

On or after the Closing Date, transfers of Certificates between accountholders in Clearstream, Luxembourg and Euroclear will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in a Global Certificate among participants and accountholders of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Trustee, Tabreed, the Delegate, the Agents or any Joint Lead Manager will be responsible for any performance by Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Certificates represented by a Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

United Arab Emirates (excluding the Dubai International Financial Centre)

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Prospectus and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree of 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments made under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by Tabreed under any Transaction Document to which it is party, Tabreed has undertaken to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) and (ii) Tabreed has undertaken to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the UAE federal government the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

Dubai International Financial Centre

Pursuant to Article 14 of Law No. (9) of 2004 in respect of the Dubai International Financial Centre (the "**DIFC Law**"), entities licensed, registered or otherwise authorised to carry on financial services in the DIFC and their employees shall be subject to a zero rate of tax for a period of 50 years from 13 September 2004. This zero rate of tax applies to income, corporation and capital gains tax. In addition, this zero rate of tax will also extend to repatriation of capital and to transfers of assets or profits or salaries to any party outside the Dubai International Financial Centre. Article 14 of the DIFC Law also provides that it is possible to renew the 50 year period to a similar period upon issuance of a resolution by the Ruler of Dubai. As a result no payments by the Trustee under the Certificates or payments by Tabreed under any Transaction Document are subject to any tax in the DIFC, whether by withholding or otherwise.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**", a term not defined as of the date of this Prospectus) to persons that fail to meet certain certification, reporting or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register (the "**grandfathering date**") generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 (such as the issuance and subscription of Certificates) are expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the "**Subscription Agreement**") dated 29 October 2018 between the Trustee, Tabreed, Abu Dhabi Commercial Bank PJSC, Abu Dhabi Islamic Bank PJSC, J.P. Morgan Securities plc and Mashreqbank PSC (together, the "**Joint Lead Managers**"), the Trustee has agreed to issue and sell to the Joint Lead Managers U.S.$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain conditions. The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and Tabreed has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Certificates in certain circumstances prior to payment to the Trustee.

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, Tabreed, the Delegate and any other Joint Lead Manager shall have any responsibility therefor.

None of the Trustee, Tabreed and any of the Joint Lead Managers have made any representations that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of the Prospectus and the offering and sale of Certificates.

United States

The Certificates have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction of the United States.

Each Joint Lead Manager has represented that it has not offered or sold, and will not offer or sell, any Certificate within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Certificates.

In addition, until 40 days after the commencement of the offering of Certificates, any offer or sale of Certificates within the United States by any Joint Lead Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Terms used in this sub-section entitled "*–United States*" have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Certificate in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Tabreed; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates.

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the board of the Saudi Arabian Capital Market Authority ("**CMA**") pursuant to resolution number 3-123-2017 dated 27 December 2017 (the "**KSA Regulations**"), made through an authorised person licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "**Sophisticated Investors**" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of the Certificates by it to a Saudi Investor will be made in compliance with Articles 9 or 10 of the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyal 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more (excluding that person's principal place of residence);

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Prospectus has not been reviewed or approved by the Qatar Central Bank, the Qatar Exchange, the Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notification under Section 309b(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Trustee has determined the classification of the Certificates as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (i) to persons whose ordinary business is to buy and sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Malaysia

This Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the "**CMSA**"). Accordingly, each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or delivered, by it and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly by it, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the "**FIEA**") and each Joint Lead Manager has represented and agreed that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan..

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

GENERAL INFORMATION

Authorisation

The issuance of the Certificates has been duly authorised by a resolution of the board of directors of the Trustee dated 9 October 2018. The issuance of the Certificates and the entry by Tabreed into the Transaction Documents to which it is a party was duly authorised by the shareholders of Tabreed on 27 September 2018 and by the board of directors of Tabreed on 3 October 2018. Each of the Trustee and Tabreed has obtained all necessary consents, approvals and authorisations in connection with the issuance of the Certificates and entry into of the Transaction Documents (as applicable) to which each is a party.

Listing of the Certificates

Application has been made to the U.K. Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market. The listing of the Certificates is expected to be granted on or before 5 November 2018.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under ISIN XS1843455103, common code 184345510, CFI DAVXFR and FISN TABREED SUKUK S/VARASST BKD 2200123.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L1855 Luxembourg.

Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Trustee is: 549300DC2NOQN38VGO16.

Significant or Material Change

There has been no significant change in the financial or trading position of Tabreed or the Group since 30 June 2018. There has been no material adverse change in the prospects of Tabreed or the Group since 31 December 2017.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

Litigation

There are, and have been, no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Tabreed or the Group is aware) during the twelve months preceding the date of this Prospectus that may have, or have had, significant effects on Tabreed's or the Group's financial position or profitability.

The Trustee is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) which may have or have had since 7 October 2018 (being the date of incorporation of the Trustee) a significant effect on the financial position or profitability of the Trustee.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by DIFC law, and does not intend, to publish audited financial statements or appoint any auditors.

Deloitte & Touche (M.E.) (the "**Auditors**") of Al Sila Tower, Abu Dhabi Global Market Square, P.O. Box 990, Abu Dhabi, UAE, are the current auditors of the Group. There is no professional body of auditors in the UAE and, accordingly, the Auditors are not member of any professional body in the UAE. The Auditors have audited, and delivered unqualified audit reports on, the Annual Financial Statements included in this

Prospectus. The Interim Financial Statements have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by the Auditors as stated in their report appearing in this Prospectus.

Expenses

The total expenses relating to the admission to trading of the Certificates on the Regulated Market are expected to amount to £7,500.

Documents available for inspection

For so long as any Certificates remain outstanding, physical copies of the following documents will, when published, be available during normal business hours for inspection from the registered office of the Trustee and from the specified office of the Paying Agent for the time being in London:

- the constitutional documents of the Trustee and Tabreed;
- the Purchase of Services Agreement, the Service Agency Agreement (and the Services Plan), the Purchase Undertaking, the Sale Undertaking, each Sale Agreement entered into in connection with the Purchase Undertaking or Sale Undertaking, the Agency Agreement, the Declaration of Trust and the forms of the Global Certificate and Definitive Certificates;
- the Financial Statements, together with the audit and, as applicable, review reports prepared in connection therewith; and
- a copy of this Prospectus.

This Prospectus will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/exchange/news/market- news/market-news-home.html.

***Shari'a* Boards**

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Executive Committee of the Fatwa and *Shari'a* Supervisory Board of Abu Dhabi Islamic Bank PJSC (by majority) and the *Shari'ah* advisors of J.P. Morgan Securities plc. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in the approval referred to above is in compliance with *Shari'a* principles (see "*Risk Factors— No assurance can be given as to Shari'a rules*").

Joint Lead Managers transacting with the Trustee or Tabreed

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Trustee or Tabreed and in the ordinary course of business for which they have received, and for which they may in the future receive, fees. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Tabreed or Tabreed's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with Tabreed routinely hedge their credit exposure to Tabreed consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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NATIONAL CENTRAL COOLING COMPANY PJSC

Review report and condensed consolidated interim financial information for the six month period ended 30 June 2018

NATIONAL CENTRAL COOLING COMPANY PJSC

Review report and condensed consolidated interim financial information for the six month period ended 30 June 2018

Deloitte.

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
National Central Cooling Company PJSC
Abu Dhabi, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2018 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *"Interim Financial Reporting"*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34, *"Interim Financial Reporting"*.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration No. 701
1 August 2018
Abu Dhabi
United Arab Emirates

Condensed consolidated interim statement of profit or loss for the six month period ended 30 June 2018 (unaudited)

		Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
	Notes	**AED'000**	AED'000	**AED'000**	AED'000
Revenues	**5**	**376,247**	369,082	**650,668**	639,242
Operating costs	**5**	**(200,661)**	(199,224)	**(329,387)**	(326,729)
GROSS PROFIT		**175,586**	169,858	**321,281**	312,513
Administrative and other expenses		**(53,349)**	(51,489)	**(102,479)**	(101,175)
OPERATING PROFIT		**122,237**	118,369	**218,802**	211,338
Finance costs	**5**	**(45,962)**	(40,413)	**(86,617)**	(82,140)
Finance income	**5**	**130**	34	**275**	73
Other gains and losses	**5**	**33,742**	22	**34,056**	1,293
Share of results of associates and joint ventures	**5**	**24,200**	39,488	**45,964**	62,389
PROFIT FOR THE PERIOD		**134,347**	117,500	**212,480**	192,953
Attributable to:					
Equity holders of the parent		**134,169**	117,298	**211,912**	192,680
Non-controlling interests		**178**	202	**568**	273
		134,347	117,500	**212,480**	192,953
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	**6**	**0.05**	0.04	**0.08**	0.07

The accompanying notes are an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of comprehensive income
for the six month period ended 30 June 2018 (unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**134,347**	117,500	**212,480**	192,953
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Net movement in fair value of derivatives in cash flow hedges	**7,939**	(12,404)	**20,194**	(14,202)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	**2,587**	(9,489)	**10,956**	(6,255)
Exchange differences arising on translation of overseas operations	**-**	(21)	**270**	(30)
Total comprehensive income for the period	**144,873**	95,586	**243,900**	172,466
Attributable to:				
Equity holders of the parent	**144,695**	95,384	**243,332**	172,193
Non-controlling interest	**178**	202	**568**	273
	144,873	95,586	**243,900**	172,466

The accompanying notes are an integral part of these condensed consolidated interim financial information.

tabreed

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of financial position as at 30 June 2018

	Notes	30 June 2018 (unaudited) AED '000	31 December 2017 (audited) AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	**192,172**	170,831
Property, plant and equipment	10	**4,051,423**	3,745,386
Goodwill		**27,710**	27,710
Investments in associates and joint ventures	8 & 9	**562,799**	826,199
Finance lease receivables		**2,643,834**	2,715,106
		7,477,938	7,485,232
Current assets			
Inventories		**31,003**	32,648
Accounts receivable and prepayments		**623,617**	516,819
Finance lease receivables		**244,199**	242,638
Cash and bank deposits	11	**357,484**	418,280
		1,256,303	1,210,385
TOTAL ASSETS		**8,734,241**	8,695,617
EQUITY AND LIABILITIES			
Equity			
Issued capital		**2,715,529**	2,715,529
Treasury shares		**(2,016)**	(2,016)
Statutory reserve		**274,104**	274,104
Retained earnings		**782,877**	1,071,952
Foreign currency translation reserve		**(2,510)**	(2,780)
Cumulative changes in fair value of derivatives in cash flow hedges		**(6,624)**	(37,774)
Other reserve		**706,920**	706,920
Equity attributable to the equity holders of the parent		**4,468,280**	4,725,935
Non – controlling interests		**66,421**	71,085
Total equity		**4,534,701**	4,797,020
Non-current liabilities			
Accounts payable, accruals and provisions		**126,942**	128,444
Interest bearing loans and borrowings	12	**1,714,555**	1,844,622
Islamic financing arrangements	12	**1,068,292**	1,089,880
Employees' end of service benefits		**27,602**	25,976
		2,937,391	3,088,922
Current liabilities			
Accounts payable, accruals and provisions		**712,476**	575,552
Interest bearing loans and borrowings	12	**493,726**	164,457
Islamic financing arrangements	12	**55,312**	65,292
Obligations under finance lease		**635**	4,374
		1,262,149	809,675
Total liabilities		**4,199,540**	3,898,597
TOTAL EQUITY AND LIABILITIES		**8,734,241**	8,695,617

Khaled Abdulla Al Qubaisi	**Jasim H. Thabet**	**Stephen John Ridlington**
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of changes in equity
for the six month period ended 30 June 2018 (unaudited)

	Attributable to equity holders of the parent										
	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives AED '000	Mandatory convertible bonds - equity component AED '000	Other reserve AED '000	Total AED '000	Non- controlling interests AED '000	Total equity AED '000
Balance at 1 January 2017 (audited)	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091
Profit during the period	-	-	-	192,680	-	-	-	-	192,680	273	192,953
Other comprehensive loss for the period	-	-	-	-	(30)	(20,457)	-	-	(20,487)	-	(20,487)
Total comprehensive income/(loss) for the period	-	-	-	192,680	(30)	(20,457)	-	-	172,193	273	172,466
Dividends paid to ordinary shareholders (note 15)	-	-	-	(48,002)	-	-	-	-	(48,002)	-	(48,002)
Dividends paid to MCB holder (note 15)	-	-	-	(128,508)	-	-	-	-	(128,508)	-	(128,508)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,350)	(1,350)
Balance at 30 June 2017 (unaudited)	738,490	(2,016)	234,092	904,531	(2,745)	(50,008)	1,772,476	768,086	4,362,906	69,791	4,432,697
Balance at 1 January 2018 (as previously reported)	**2,715,529**	**(2,016)**	**274,104**	**1,071,952**	**(2,780)**	**(37,774)**	**-**	**706,920**	**4,725,935**	**71,085**	**4,797,020**
Effect of changes in accounting policy for IFRS 15 (note 8)	**-**	**-**	**-**	**(194,030)**	**-**	**-**	**-**	**-**	**(194,030)**	**-**	**(194,030)**
Effect of changes in accounting policy for IFRS 9 (note 3.2.2)	**-**	**-**	**-**	**(81,499)**	**-**	**-**	**-**	**-**	**(81,499)**	**-**	**(81,499)**
Balance at 1 January 2018 (restated)	**2,715,529**	**(2,016)**	**274,104**	**796,423**	**(2,780)**	**(37,774)**	**-**	**706,920**	**4,450,406**	**71,085**	**4,521,491**
Profit during the period	**-**	**-**	**-**	**211,912**	**-**	**-**	**-**	**-**	**211,912**	**568**	**212,480**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**270**	**31,150**	**-**	**-**	**31,420**	**-**	**31,420**
Total comprehensive income for the period	**-**	**-**	**-**	**211,912**	**270**	**31,150**	**-**	**-**	**243,332**	**568**	**243,900**
Dividend paid to shareholders (note 15)	**-**	**-**	**-**	**(217,242)**	**-**	**-**	**-**	**-**	**(217,242)**	**-**	**(217,242)**
Effect of additional ownership in a subsidiary	**-**	**-**	**-**	**(8,216)**	**-**	**-**	**-**	**-**	**(8,216)**	**(932)**	**(9,148)**
Dividend paid to non-controlling Interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,300)**	**(4,300)**
Balance at 30 June 2018 (unaudited)	**2,715,529**	**(2,016)**	**274,104**	**782,877**	**(2,510)**	**(6,624)**	**-**	**706,920**	**4,468,280**	**66,421**	**4,534,701**

The accompanying notes are an integral part of these condensed consolidated interim financial information

Condensed consolidated interim statement of cash flows
for the six month period ended 30 June 2018 (unaudited)

	Notes	Six months ended 30 June 2018 AED '000	Six months ended 30 June 2017 AED '000
OPERATING ACTIVITIES			
Profit for the period		**212,480**	192,953
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		**74,285**	68,835
Finance lease income		**(92,406)**	(94,079)
Share of results of associates and joint ventures		**(45,964)**	(62,389)
Net movement in employees' end of service benefits		**1,626**	1,825
Interest income		**(275)**	(73)
Finance costs		**86,617**	82,140
Other gains and losses		**(34,056)**	-
		202,307	189,212
Working capital adjustments:			
Inventories		**1,645**	(2,795)
Accounts receivable and prepayments		**(98,968)**	(113,763)
Accounts payable, accruals and provisions		**50,943**	88,253
Lease rentals received		**125,442**	121,950
Net cash flows from operating activities		**281,369**	282,857
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**10**	**(6,322)**	(108,796)
Payments for capital work in progress	**10**	**(34,535)**	(45,551)
Proceed from partial disposal of an associate		**40,289**	-
Dividends from a joint venture		**-**	14,000
Dividends from associates	**8**	**54,102**	39,708
Payment for acquisition of additional share in a subsidiary		**(4,946)**	-
Net cash outflow on acquisition of a subsidiary	**7**	**(88,671)**	-
Repayment of loan on acquisition of a subsidiary	**7**	**(163,103)**	-
Interest received		**290**	87
Net cash flows used in investing activities		**(202,896)**	(100,552)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	**12**	**283,805**	113,525
Interest bearing loans and borrowings repaid	**12**	**(91,968)**	(1,115,976)
Islamic financing arrangement received		**-**	1,220,000
Islamic financing arrangement repaid	**12**	**(33,720)**	-
Cash coupon paid on mandatory convertible bonds		**-**	(21,611)
Payment for obligations under finance lease		**(3,739)**	(3,403)
Interest paid		**(72,105)**	(69,291)
Arrangement fees paid		**-**	(17,497)
Dividends paid to shareholders	**15**	**(217,242)**	(48,002)
Dividends paid to Mandatory Convertible Bond holder	**15**	**-**	(128,508)
Dividends paid to non-controlling interests		**(4,300)**	(1,350)
Net cash flows used in financing activities		**(139,269)**	(72,113)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(60,796)**	110,192
Cash and cash equivalents at 1 January		**418,280**	389,961
CASH AND CASH EQUIVALENTS AT 30 JUNE	**11**	**357,484**	500,153

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

1 General information

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 Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy.

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

2 Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that are required to be applied retrospectively with adjustment to made in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in note 3.2.1, 3.2.2 and 8 of the interim condensed consolidated financial statements.

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IAS 40 Investment properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements

2 Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2018 (continued)

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2018.

2.2 Standards and Interpretations in issue but not yet effective

The Group has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	January 1, 2021
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively; - Assumptions for taxation authorities' examinations; - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and - The effect of changes in facts and circumstances.	January 1, 2019

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018

2.2 Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Amendment to IAS 19 Employee Benefits: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these IFRSs and amendments will be adopted in the condensed consolidated interim financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group’s condensed consolidated interim financial information in respect of its leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3 Summary of significant accounting policies

3.1 Basis of preparation

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

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

The condensed consolidated interim financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

3.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the new and amended standards.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

3.2.1 Application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

3.2 Significant accounting policies (continued)

3.2.1 Application of IFRS 15 Revenue from Contracts with Customers (continued)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

The is no impact on Group's revenue recognition due to application of IFRS 15. However, for one associate, the application of IFRS 15 resulted in revenue recognised on connection fees and upfront capacity charges in prior years being written back to retained earnings. This revenue will be recognised over the remaining life of the relevant contracts. The cumulative impact on the investment in associate and the retained earnings on the group's consolidated interim financial statements is AED 194 million in 2018 as disclosed in note 8.

3.2.2 Application of IFRS 9 Financial instrument

Effective 1 January 2018, the Group has adopted IFRS 9. IFRS 9 replaces IAS 39 and addresses the accounting for financial instruments including hedge accounting. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVTOCI and FVTPL. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The business model assessment was completed based on the facts and circumstances, which existed as at the initial date of application. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale. Under IFRS 9, derivative embedded contracts where the host is a financial asset in the scope of IFRS 9 are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The requirements for classification and measurement of financial liabilities under IFRS 9 largely carry forward existing requirements in IAS 39.

IFRS 9 replaces the "incurred loss" model under IAS 39 with an "expected credit loss" model as it relates to the impairment of financial assets. The new impairment model does not apply to equity investments.

IFRS 9 amends the requirements for hedge effectiveness and consequently the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and the hedging instrument, and for the "hedged ratio" to be the same as that used by the Group for risk management purposes. The new standard requires alignment between the risk management objective of an individual hedging relationship and the risk management strategy of the Group. When assessing hedge effectiveness under IFRS 9, the Group is required to ensure credit risk due to counterparty or own creditworthiness does not dominate the change in fair value of either the hedged item or hedging instrument. Generally, the mechanics of hedge accounting remain unchanged.

3.2 Significant accounting policies (continued)

3.2.2 Application of IFRS 9 Financial instrument (continued)

Impairment of financial assets
The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables; and
- Finance lease receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of adoption of IFRS 9 resulted in additional credit loss allowance in trade receivables and finance lease receivable by AED 44.8 million and AED 36.6 million respectively and is disclosed in condensed consolidated interim statement of changes in equity.

Trade receivables and finance lease receivables
The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and finance lease receivables.

To measure the expected credit losses, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. Finance lease receivables have substantially the same risk characteristics as the trade receivables. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the lease receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. However, in accordance with the IFRS 9 transitional provisions, the Group has elected not to restate the comparative periods. Financial instruments derecognized prior to the effective date were accounted for in accordance with IAS 39, as permitted under the transitional provisions of IFRS 9.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

Business combinations
In accordance with International Financial Reporting Standards, on acquisition of a subsidiary, the Group is required to allocate the cost of the business combination by recognising, at fair value, the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, the forecasting horizon, the appropriate discount rate, the amortisation timetable and the impairment tests to be applied in future. Management is satisfied that these judgments have resulted in a fair and reasonable estimate of the fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisitions.

5 Segment information

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled Water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling systems.
- The 'Value chain business' support segment is involved in ancillary activities relating to the expansion of the Group's chilled water business.

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

	Six month period ended 30 June 2018 (unaudited)				Six month period ended 30 June 2017 (unaudited)			
	Chilled water AED'000	**Value chain business AED'000**	**Eliminations AED'000**	**Total AED'000**	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000
Revenue								
External revenue	**617,265**	**33,403**	**-**	**650,668**	602,304	36,938	-	639,242
Inter–segment revenue	**-**	**9,453**	**(9,453)**	**-**	-	9,198	(9,198)	-
Total revenue	**617,265**	**42,856**	**(9,453)**	**650,668**	602,304	46,136	(9,198)	639,242
Operating costs	**(312,255)**	**(22,334)**	**5,202**	**(329,387)**	(308,866)	(26,239)	8,376	(326,729)
Gross profit	**305,010**	**20,522**	**(4,251)**	**321,281**	293,438	19,897	(822)	312,513
Administrative and other expenses	**(88,478)**	**(15,853)**	**1,852**	**(102,479)**	(85,367)	(17,344)	1,536	(101,175)
Operating profit	**216,532**	**4,669**	**(2,399)**	**218,802**	208,071	2,553	714	211,338
Finance costs	**-**	**-**	**-**	**(86,617)**	-	-	-	(82,140)
Finance income	**-**	**-**	**-**	**275**	-	-	-	73
Other gains and losses	**-**	**-**	**-**	**34,056**	-	-	-	1,293
Share of results of associates and joint ventures	**45,964**	**-**	**-**	**45,964**	62,389	-	-	62,389
Profit for the period				**212,480**				192,953

Inter-segment revenues are eliminated on consolidation.

6 Basic and diluted earnings per share attributable to equity holders of the parent

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

	Three month period ended 30 June		Six month period ended 30 June	
	2018	2017	**2018**	2017
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period attributable to equity holders of the parent for basic earnings (AED '000)	**134,169**	117,298	**211,912**	192,680
Weighted average number of shares (excluding treasury shares) outstanding during the period ('000)	**2,713,513**	2,713,513	**2,713,513**	2,713,513
Basic and dilutive earnings per share (AED)	**0.05**	0.04	**0.08**	0.07

7 Business combination

In March 2018, the Group acquired 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity. The acquisition has been accounted for using step acquisition method in accordance with IFRS 3 Business Combination.

The fair values of the identifiable assets and liabilities of S&T Cool District Cooling Company LLC as at the date of acquisition were:

	AED '000
Assets	
Property, plant and equipment	402,817
Trade and other receivables	30,249
Bank balances and cash	15,135
	448,201
Liabilities	
Loans and borrowings	(163,103)
Accounts payables, advances and accruals	(34,922)
	(198,025)
Fair value of net assets acquired	**250,176**
Goodwill arising on acquisition (Provisional)(i)	17,873
Purchase consideration	**268,049**

	AED '000
Fair value of existing 50% share holding	125,088
Less: Carrying value of existing 50% investment	(71,123)
Gain on fair valuation of existing shareholding	**53,965**

(i) Fair value of identifiable asset is based on future connections, the timing of which is uncertain and therefore goodwill arising on the acquisition is provisional and management has decided to write off the goodwill against the fair valuation gain on the existing shareholding.

The initial purchase accounting is based on the management's best estimate of the fair value of the assets and liabilities acquired by the Group and will be finalized within the next 12 months. The finalization of the purchase price allocation may result in a change in fair value of assets and liabilities acquired, and accordingly a corresponding change in goodwill.

The difference amounting to AED 53,965 thousand between the carrying value of the existing share in the acquired company of AED 71,123 thousand and fair value of the existing share of AED 125,088 thousand is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

	AED '000
Consideration to be paid in cash (ii)	103,806
Discounted deferred consideration arrangement	39,155
Fair value of existing share holding	125,088
Purchase consideration	**268,049**

7 Business combination (continued)

(ii) In addition to cash consideration of AED 103,806 thousand, the Company agreed to repay loan of AED 163,103 thousand to the seller as part of acquisition, which was repaid on 4th April 2018. This payment is included in investing activities in the condensed consolidated interim statement of cash flows.

8 Investments in associates

Movement in investment in associates is as follows:

	AED '000
At 31 December 2017 (as previously reported)	**702,318**
Impact of implementation of IFRS15 (ii)	**(194,030)**
At 1 January 2018 (restated)	**508,288**
Share of results for the period (i)	**38,620**
Dividends received during the period	**(54,102)**
Carrying value of partial disposal of an associate(iii)	**(20,958)**
Gain on deemed disposal in an associate(iii)	**19,275**
Share of changes in fair value of effective cash flow hedges	**2,009**
At 30 June 2018	**493,132**

(i) Adjusted by profit resulting from transactions between the Company and the associates amounting to AED 1.5 million.

(ii) The Group has adopted IFRS 15 from 1 January 2018 and it has resulted in adjustment in value of investment in an associate due to change in revenue recognition of the associate in accordance with the requirements of IFRS 15. The adjustments were accounted for using modified retrospectively approach (see note 3.2.1) as permitted under the transitional provisions of IFRS 15.

(iii) During the period, an associate of the Group, Tabreed District Cooling Company (Saudi), introduced a new shareholder, in part by the issuance of new shares and in part through purchases of existing shares from all the current shareholders of Tabreed District Cooling Company (Saudi). As a result, the Group's holding in Saudi Tabreed was reduced from 25% to 20%. The transaction resulted in a gain of AED 13.3 million (net of tax and transaction costs) on disposal of existing shares to the new shareholder and AED 19.3 million on the issuance of new shares to the new shareholder at a premium. The gain is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

9 Investments in joint ventures

Movement in investments in joint ventures is as follows:

	AED '000
At 1 January 2018	**123,881**
De-recognition of investment in joint ventures and recognition as subsidiary (note 7)	**(71,123)**
Share of results for the period	**8,869**
Share of changes in fair value of effective cash flow hedges	**8,947**
Adjustments for inter group transactions	**(907)**
At 30 June 2018	**69,667**

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2018 (continued)

10 Capital work in progress and property, plant and equipment

During the six month period ended 30 June 2018, the Group incurred capital expenditure of AED 58.3 million (30 June 2017: AED 42.1 million) primarily relating to construction of district cooling plants and distribution networks. During the period, the Group made a provision of AED 33.5 million for slow moving capital inventory and is recorded under 'other gains and losses' in the condensed consolidated interim statement of income. Due to the general economic slowdown, the Group made an interim provision of AED 25.4 million for impairment of its plant in Bahrain which is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

11 Cash and cash equivalents

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the condensed consolidated interim statement of cash flows can be reconciled to the related items in the condensed consolidated interim statement of financial position as follows:

	30 June 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)	30 June 2017 AED'000 (unaudited)
Bank balances and cash	**337,743**	369,053	456,981
Bank deposits	**19,741**	49,227	43,172
Cash and cash equivalents	**357,484**	418,280	500,153

Geographical concentration of bank balances and cash and bank deposits is as follows:

	30 June 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)	30 June 2017 AED'000 (unaudited)
Within UAE	**350,742**	407,492	492,721
Outside UAE	**6,742**	10,788	7,432
	357,484	418,280	500,153

12 Interest bearing loans and Islamic financing arrangement

During the period, the Group has made repayments of AED 92.0 million and AED 33.7 million of its interest bearing loans and Islamic financing arrangement respectively. The Group also made a drawdown of AED 275.0 million from its Revolving Credit Facility (RCF).

13 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 30 June 2018 but not provided for amounted to AED 126 million (31 December 2017: AED 147 million).

Contingencies

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

	At 30 June 2018 AED'000 (unaudited)	At 31 December 2017 AED'000 (audited)
Performance guarantees	**115,708**	112,588
Advance payment guarantees	**633**	673
Financial guarantees	**2,585**	2,585
	118,926	115,846

14 Related party transactions and balances

Related parties represent associated companies, joint ventures, majority shareholder, directors, key management personnel of the Company, management entities engaged by 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.

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2018 (continued)

14 Related party transactions and balances (continued)

Transactions with related parties included in the condensed consolidated interim statement of profit or loss are as follows:

	Six month period ended 30 June 2018 (unaudited)				Six month period ended 30 June 2017 (unaudited)			
	Revenue AED'000	**Operating costs AED'000**	**Interest expense AED'000**	**Other income AED'000**	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000
Associated companies	**2,477**	**49,854**	**-**	**-**	2,431	49,781	-	-
Joint ventures	**2,080**				2,794	-	-	-
Major shareholder	**-**	**-**	**-**	**-**	-	-	3,456	-
Associate of major shareholder	**-**	**-**	**-**	**-**	59,984	-	-	-
Government related departments and institutions	**-**	**-**	**-**	**-**	23,239	59,025	38,335	-

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

	At 30 June 2018 (unaudited)			
	Accounts Receivable AED'000	**Bank balances AED'000**	**Accounts payables and advances AED'000**	**Interest bearing Loans AED'000**
Associated companies	**18,651**	**-**	**44,530**	**-**
Joint venture	**2,360**	**-**	**-**	**-**
	21,011	**-**	**44,530**	**-**

	At 31 December 2017 (audited)			
	Accounts Receivable AED'000	Bank balances AED'000	Accounts payables and advances AED'000	Interest bearing Loans AED'000
Associated companies	27,825	-	33,943	-
Joint venture	3,909	-	-	-
Associate of a majority shareholder	25,477	-	-	-
Government related departments and institutions	5,603	323,290	10,039	1,607,328
	62,814	323,290	43,982	1,607,328

During the period, the Group acquired 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity (note 7).

14 Related party transactions and balances (continued)

Compensation of key management personnel

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

	Six month period ended 30 June	
	2018	2017
	AED'000	AED'000
	(unaudited)	(unaudited)
Short-term benefits	**3,994**	3,294
Employees' end of service benefits	**176**	62
	4,170	3,356
Number of key management personnel	**5**	4

15 Dividends and Board Remuneration

The Board of Directors proposed a cash dividend of 8.0 fils per share pertaining to common shareholders in respect of the fiscal year ended 31 December 2017. The shareholders at the Annual General Meeting held on 7 March 2018 approved the dividend. The dividend comprised of AED 217.2 million to the common shareholders was paid in April 2018.

In 2017, The Board of Directors proposed a cash dividend of 6.5 fils per share pertaining to both common shareholders and mandatory convertible bondholder in respect of the fiscal year ended 31 December 2017. The dividend was approved by the shareholders at the Annual General Meeting held on 6 March 2017. The dividend comprised of AED 48.0 million to the common shareholders and AED 128.5 million to the mandatory convertible bond holder and was paid in April 2017.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year, ended 31 December 2017 was also approved at the Annual General Meeting held on 7 March 2018. Board remuneration of AED 7.1 million for the year ended 31 December 2016 was approved at the previous Annual General Meeting on 6 March 2017.

16 Seasonality of operations

Interim results fluctuate due to the seasonal demands for chilled water, in line with the average temperatures in the region. Tabreed's operations generally produce higher revenues in the summer due to increased customer consumption, while certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result, interim net profits are not indicative of net profits on an annual basis.

17 Fair value measurement

The fair values of the Group's financial assets and liabilities as at 30 June 2018 are not materially different from the fair values as at 31 December 2017 with the exception of the impact of the adoption of IFRS 9 as disclosed in note 3.2.2.

18 Investment in Abraaj Holdings

During the period and as at 30 June 2018, the Group had no transactions or any business relationships with the Abraaj Group or its affiliates.

19 Subsequent event

In July 2018, the Group recovered a previously provided for balance amounting to AED 28.0 million from one of its customers. The gain from the balance recovery has been recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

20 Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information of the Group was authorised for issuance by the Board of Directors on 1 August 2018.

NATIONAL CENTRAL COOLING COMPANY PJSC

Report and consolidated financial statements for the year ended 31 December 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Central Cooling Company PJSC
Abu Dhabi, United Arab Emirates

Report on the audit of the consolidated financial statements of National Central Cooling Company PJSC

Opinion

We have audited the consolidated financial statements of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Carrying value of property, plant and equipment and intangible assets, including goodwill	
The Group has AED 3,745,386 thousand of property, plant and equipment as disclosed in Note 11 and goodwill of AED 27,710 thousand as disclosed in Note 14 which represents significant balances recorded in the consolidated statement of financial position. The evaluation of the recoverable amount of these assets requires significant estimates as disclosed in Note 2.5 in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.	Our audit procedures included the assessment of controls over impairment analysis and calculations. We tested the design and operating effectiveness of relevant controls to determine the completeness of provision for impairment. This included testing: • Manual controls over the timely recognition of impairments; • Controls over the accuracy and completeness of the impairment calculation models; and • Governance controls, including reviewing key meetings that form part of the approval process for provision for impairment. In addition, we also performed the following substantive audit procedures: ▪ Engaged our internal accounting technical specialists and internal valuation specialists to assess compliance with accounting standards and assess the valuation of the assets; ▪ Evaluated whether the model used by management to calculate the value in use of each cash-generating unit complies with IAS 36 Impairment of Assets; ▪ Obtained and analysed the financial impairment assessments provided by management for each subject asset to determine whether they are reasonable and supportable; ▪ Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations; ▪ Challenged the reasonableness of growth rates and other key cash flow assumptions; and ▪ Performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	**How the matter was addressed in our audit**
Conversion of Mandatory Convertible Bonds	
During the year, Mubadala Investment Company ("the Bond Holder") converted all of its Mandatory Convertible Bonds (MCBs) into ordinary shares (note 23). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion. Due to the significance of the transaction and its impact on the share capital, other reserves and liability component of the consolidated financial statements, , the matter has been considered to be a key audit matter.	As part of our audit procedures, we have: ▪ Engaged our internal technical specialists to assess compliance with relevant accounting standards; ▪ Examined the agreements executed with the Bond Holder; ▪ Inspected the MCBs conversion request from the Bond Holder; ▪ Assessed the appropriateness of the number of shares issued upon conversion; ▪ Verified the accuracy of the calculation of interest accretion up to the conversion notice from the Bond Holder; and ▪ Assessed the appropriateness of the amount transferred to share capital and other reserves upon conversion of MCBs.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Provision for onerous contract</td></tr>
<tr><td>The Group has entered into contractual arrangements that are subject to application of Consumer Price Index (CPI) adjustments which can impact the profitability of such arrangements. Management made an assessment as to whether the impact of such factors has resulted in contracts becoming onerous.

Management performs an annual assessment of the impact of CPI on such contracts and records provisions accordingly.

Management's disclosures with regards to onerous provision are presented in notes 26 to the consolidated financial statements.</td><td>Our audit procedures included the assessment of controls over management's identification of the onerous contracts. We tested the design and operating effectiveness of relevant controls to determine completeness of provision for onerous contract. This included testing:
• Manual controls over the assessment, identification, and accuracy of the provision for onerous contracts; and
• Controls over the completeness of management's assessment of onerous contracts.

In addition, we also performed the following audit procedures:

▪ Tested the identification and completeness of onerous contracts through discussions with management, examination of board minutes, obtaining and reading new significant contracts and testing management's assumptions for all contracts where the cost exceeds revenue to determine if the contracts are onerous;

▪ Tested the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions have been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received under the contract;

▪ Performed audit procedures on the cash flow model prepared by management to assess the accuracy of the provision. We have reviewed and challenged key assumptions used in developing the model; and

▪ Verified the pricing mechanism in contracts with customer to further substantiate the input and assumptions used in the cash flow model.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors Report, which we obtained prior to the date of this auditor's report, and the Key Achievements of 2017, Overview of Historical Highlights, Chairman's Message, CEO's Message, and the Corporate Governance Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Key Achievements of 2017, Overview of Historical Highlights, Chairman's Message, CEO's Message, and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Federal Law No. (2) of 2015, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i. we have obtained all the information we considered necessary for the purposes of our audit;

ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii. the Company has maintained proper books of account;

iv. the financial information included in the report of the Board of Directors are consistent with the books of account and records of the Company;

v. the Group has not purchased or invested in shares during the financial year ended 31 December 2017;

vi. note 27 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii. based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration number 701
Abu Dhabi
30 January 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Notes	*2017* *AED '000*	*2016* *AED '000*
Revenue	3 & 4	**1,399,428**	1,279,853
Operating costs	4 & 6.1	**(771,764)**	(681,979)
GROSS PROFIT		**627,664**	597,874
Administrative and other expenses	6.2	**(195,557)**	(192,543)
OPERATING PROFIT		**432,107**	405,331
Finance costs	5	**(162,318)**	(155,959)
Finance income		**840**	394
Other gains and losses		**2,351**	4,986
Share of results of associates and joint ventures	12 & 13	**128,790**	116,950
PROFIT FOR THE YEAR		**401,770**	371,702
Attributable to:			
Equity holders of the parent		**400,113**	367,362
Non-controlling interests		**1,657**	4,340
		401,770	371,702
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.15**	0.14

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	***2017*** ***AED '000***	*2016* *AED '000*
PROFIT FOR THE YEAR		**401,770**	371,702
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of derivatives in cash flow hedges		**(7,485)**	(390)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	12 & 13	**(738)**	2,958
Exchange differences arising on translation of overseas operations		**(65)**	(142)
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME		**(8,288)**	2,426
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**393,482**	374,128
Attributable to:			
Equity holders of the parent		**391,825**	369,788
Non-controlling interests		**1,657**	4,340
		393,482	374,128

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

ASSETS	Notes	*2017* *AED '000*	*2016* *AED '000*
Non-current assets			
Capital work in progress	10	**170,831**	117,775
Property, plant and equipment	11	**3,745,386**	3,845,225
Goodwill	14	**27,710**	27,710
Investments in associates and joint ventures	12 & 13	**826,199**	826,096
Finance lease receivables	15	**2,715,106**	2,782,567
		7,485,232	7,599,373
Current assets			
Inventories		**32,648**	32,026
Accounts receivable and prepayments	16	**516,819**	409,115
Finance lease receivables	15	**242,638**	230,918
Cash and bank deposits	17	**418,280**	389,961
		1,210,385	1,062,020
TOTAL ASSETS		**8,695,617**	8,661,393
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	**2,715,529**	738,490
Treasury shares	19	**(2,016)**	(2,016)
Statutory reserve	20	**274,104**	234,092
Retained earnings		**1,071,952**	888,361
Foreign currency translation reserve		**(2,780)**	(2,715)
Cumulative changes in fair value of derivatives in cash flow hedges		**(37,774)**	(29,551)
Mandatory convertible bond – equity component	23	**-**	1,772,476
Other reserve	20	**706,920**	768,086
Equity attributable to the equity holders of the parent		**4,725,935**	4,367,223
Non – controlling interests		**71,085**	70,868
Total equity		**4,797,020**	4,438,091
Non-current liabilities			
Accounts payable, accruals and provisions	26	**128,444**	133,110
Interest bearing loans and borrowings	21	**1,844,622**	2,887,187
Islamic financing arrangements	22	**1,089,880**	-
Obligations under finance lease	24	**-**	3,979
Mandatory convertible bond – liability component	23	**-**	97,729
Employees' end of service benefits	25	**25,976**	22,649
		3,088,922	3,144,654
Current liabilities			
Accounts payable, accruals and provisions	26	**575,552**	643,663
Interest bearing loans and borrowings	21	**164,457**	342,712
Islamic financing arrangements	22	**65,292**	-
Mandatory convertible bond– liability component	23	**-**	84,909
Obligations under finance lease	24	**4,374**	7,364
		809,675	1,078,648
Total liabilities		**3,898,597**	4,223,302
TOTAL EQUITY AND LIABILITIES		**8,695,617**	8,661,393

Khaled Abdulla Al Qubaisi	Jasim H. Thabet	**Stephen John Ridlington**
Chairman	Chief Executive Officer	Chief Financial Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Attributable to equity holders of the parent										
	Issued capital AED'000	*Treasury shares* AED'000	*Statutory reserve* AED'000	*Retained earnings* AED'000	*Foreign currency translation reserve* AED'000	*Cumulative changes in fair value of derivatives* AED'000	*Mandatory convertible bond- equity component* AED'000	*Other reserve* AED'000	*Total* AED'000	*Non-controlling interests* AED'000	*Total equity* AED'000
Balance at 1 January 2016	738,490	(2,016)	197,356	720,667	(2,573)	(32,119)	1,772,476	768,086	4,160,367	65,399	4,225,766
Profit for the year	-	-	-	367,362	-	-	-	-	367,362	4,340	371,702
Other comprehensive (loss) /income for the year	-	-	-	-	(142)	2,568	-	-	2,426	-	2,426
Total comprehensive income/(loss) for the year	-	-	-	367,362	(142)	2,568	-	-	369,788	4,340	374,128
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	7,588	7,588
Transfer to statutory reserve	-	-	36,736	(36,736)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders (note 8)	-	-	-	(44,310)	-	-	-	-	(44,310)	-	(44,310)
Dividends paid to mandatory convertible bond holders (note 8)	-	-	-	(118,622)	-	-	-	-	(118,622)	-	(118,622)
Dividends paid to non-controlling interests holders	-	-	-	-	-	-	-	-	-	(6,459)	(6,459)
Balance at 31 December 2016	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091
Balance at 1 January 2017	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091
Profit for the year	-	-	-	400,113	-	-	-	-	400,113	1,657	401,770
Other comprehensive loss for the year	-	-	-	-	(65)	(8,223)	-	-	(8,288)	-	(8,288)
Total comprehensive income/(loss) for the year	-	-	-	400,113	(65)	(8,223)	-	-	391,825	1,657	393,482
Transfer to statutory reserve	-	-	40,012	(40,012)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders (note 8)	-	-	-	(48,002)	-	-	-	-	(48,002)	-	(48,002)
Dividends paid to mandatory convertible bond holders (note 8)	-	-	-	(128,508)	-	-	-	-	(128,508)	-	(128,508)
Conversion of mandatory convertible bonds	1,977,039	-	-	-	-	-	(1,772,476)	(61,166)	143,397	-	143,397
Additional contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	905	905
Dividends paid to non-controlling interests holders	-	-	-	-	-	-	-	-	-	(2,345)	(2,345)
Balance at 31 December 2017	2,715,529	(2,016)	274,104	1,071,952	(2,780)	(37,774)	-	706,920	4,725,935	71,085	4,797,020

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	*2017 AED '000*	*2016 AED '000*
OPERATING ACTIVITIES			
Profit for the year		**401,770**	371,702
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	**140,188**	129,423
Impairment of goodwill		**-**	9,886
Finance lease income	3&15	**(188,158)**	(185,587)
Share of results of associates and joint ventures	12&13	**(128,790)**	(116,950)
Net movement in employees' end of service benefits	25	**3,327**	1,573
Other gains		**(2,351)**	(38,297)
Allowance for slow moving inventory		**-**	14,200
Interest income		**(840)**	(394)
Finance costs	5	**162,318**	155,959
Working capital adjustments:			
Inventories		**(622)**	(2,534)
Accounts receivable and prepayments		**(107,729)**	10,800
Accounts payable, accruals and provisions		**32,080**	(30,275)
Lease rentals received	15	**243,899**	234,002
Net cash flows from operating activities		**555,092**	553,508
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(114,055)**	(132,598)
Investments in a joint venture	13	**-**	(91,837)
Dividends from a joint venture	13	**82,769**	29,000
Dividends from associates	12	**39,708**	47,257
Payments for capital work in progress		**(83,506)**	(63,053)
Interest received		**865**	345
Proceed from disposal of assets held for sale		**-**	11,224
Net cash flows used in investing activities		**(74,219)**	(199,662)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	21	**119,961**	455,540
Interest bearing loans and borrowings repaid	21	**(1,361,031)**	(232,593)
Cash coupon paid on mandatory convertible bonds	23	**(43,222)**	(86,444)
Islamic financing arrangement received	22	**1,220,000**	-
Islamic financing arrangement repaid	22	**(38,785)**	-
Payment for obligations under finance lease		**(6,969)**	(6,341)
Interest paid		**(143,562)**	(121,469)
Arrangement fees paid		**(20,996)**	(4,221)
Additional capital by non-controlling parties		**905**	7,588
Dividends paid to shareholders	8	**(176,510)**	(162,932)
Dividends paid to non-controlling interests holders		**(2,345)**	(6,459)
Net cash flows used in financing activities		**(452,554)**	(157,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**28,319**	196,515
Cash and cash equivalents at 1 January		**389,961**	193,446
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**418,280**	389,961

Non-cash transactions are disclosed in note 27.

The attached notes 1 to 31 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

1 GENERAL INFORMATION

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 Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

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

The Group has not made any social contributions during the year.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2018.

2.1 BASIS OF PREPARATION

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Tabreed and its subsidiaries (the "Group") as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2.2 BASIS OF CONSOLIDATION (continued)

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services
Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when:

1) it is probable that the economic benefits associated with the contract will flow to the Group;
2) the contract costs attributable to the contract can be reliably estimated; and
3) the Group is reasonably confident about the collection of the amount recognised.

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year. Finance income on finance lease receivables is included in revenue due to its operating nature.

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

Connection fees
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 statement of profit or loss.

Lease rental
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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

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

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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 statement of profit or loss 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 statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

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

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 statement of profit or loss as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group performs regular major overhauls of equipment 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 and any significant part initially recognised 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 statement of profit or loss in the year the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss.

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 statement of profit or loss 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 statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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 statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

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

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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 statement of profit or loss 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.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

- Financial assets at fair value through profit or loss; The Group did not have any financial assets at fair value through profit and loss during the years ended 31 December 2017 and 2016.
- Loans and receivables; This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation relating to finance lease receivable is included under revenue. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.
- Held-to-maturity investments; The Group did not have any held-to-maturity investments during the years ended 31 December 2017 and 2016.
- Available-for-sale (AFS) investments; The Group did not have any available-for-sale investments during the years ended 31 December 2017 and 2016.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment and other financial assets (continued)

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

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

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and non-collectability of financial assets (continued)

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

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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 short term deposits
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the Group's cash management.

Assets classified as held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Accounts payable and accruals

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

Interest bearing loans & borrowings

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

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

Mandatory convertible bond

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

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

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

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Restructuring provisions
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability
The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

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

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

Amounts recognised in the consolidated statement of comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, such as when the hedged interest expense is recognised or when a forecast sale occurs.

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

Where the hedged item is the cost of a non-financial asset or non-financial liability, the cumulative amounts recognised in the consolidated statement of changes in equity are transferred to the initial carrying amount of the non-financial asset or liability.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss. 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 statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

Fair value measurement
The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 31.

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 31.

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

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash dividend and non-cash distribution to equity holders of the parent
The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Disclosures relating to the Group's exposure to risks and uncertainties include:

• Capital management	Note 30
• Financial instruments risk management and policies	Note 30
• Sensitivity analyses disclosures	Note 30

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

IFRIC 4 Determining whether an Arrangement contains a Lease
Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company enters into Customer Cooling Services 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.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)
Impairment of non-financial assets – Indicators of impairment
Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units, property, plant and equipment, capital work in progress and intangible assets. A broad range of internal and external factors is considered as part of the indicator review process. Refer to note 11 for details on judgements and estimates applied by the management.

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

Asset retirement obligation
The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from the respective customer or third party. The cost estimates relating to asset retirement obligations can vary in response to factors including changes to relevant legal requirements, the emergence of new techniques or experience at sites. The expected timing of expenditure can also change. However, the Group expects the financial impact of any such factors would be negligible.

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

Determination of cash-generating unit (CGU)
A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining CGU require management to analyse the contractual terms and physical features of assets such as inter-connection and sharing of chilled water generation capabilities and requires significant judgement in determining at which level independent cash inflows are generated.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the consolidated financial statements when they occur.

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

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value of financial instruments

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

Impairment of non-financial assets

Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require 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:

	2017	*2016*
	AED '000	*AED '000*
Capital work in progress (note 10)	170,831	117,775
Property, plant and equipment (note 11)	3,745,386	3,845,225
Goodwill (note 14)	27,710	27,710

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

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

At the reporting date, gross trade accounts receivable were AED 372.2 million (2016: AED 278.4 million) and impairment loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2017 was AED 5.1 million (2016: AED 5.7 million).

Impairment of inventories

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

At the reporting date, gross inventory was AED 46.8 million (2016: AED 46.2 million). Allowance of AED 14.2 million was recognised as at 31 December 2017 (2016: AED 14.2 million). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated statement of profit or loss.

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (continued)

New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

2.6 Summary of significant accounting policies (continued)

New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 *Revenue from Contracts with Customers*

The application of IFRS 15 from the annual period beginning 1 January 2018 will have an impact on the Group's consolidated financial statements in respect of revenue from contracts with customers. Based on management assessment of the Group's revenues from contracts with customers as at 31 December 2017, the impact of IFRS 15 on the Group's consolidated financial statements as follows:

Management has preliminarily assessed that sale of goods and rendering of services represents multiple performance obligations and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding goods and services is transferred to the customer.

2.6 Summary of significant accounting policies (continued)

New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 15 *Revenue from Contracts with Customers (continued)*	1 January 2018
The transaction price will be allocated to the different performance obligations on a relative stand-alone selling price basis. The timing of revenue recognition of each of these performance obligations will be at a point in time for sale of goods when the goods are delivered to the customer, and over the period when services are performed. No impact will be observed on revenue recognition for the Company in 2018, but an associate will be impacted significantly due to the application of IFRS 15.	
In the case of this associate, the application of IFRS 15 will result in revenue recognised on connection fees and upfront capacity charges in prior years being recognised over the remaining life of the relevant contracts. The cumulative impact on the investment in associate and the retained earnings on the group's consolidated financial statements will be AED 195 million in 2018.	
Management intend to use the modified transition approach of transition to IFRS 15.	
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 Leases	
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	

2 Summary of significant accounting policies (continued)

New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Impact assessment of IFRS 16 *Leases* As at 31 December 2017, the Group has non-cancellable operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's financial statements In contrast, in cases where the Group is a lessor, management do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's consolidated financial statements (note 29).	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019

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3 REVENUE

	2017	*2016*
	AED '000	*AED '000*
Supply of chilled water and operating revenue (note 29)	**1,129,138**	982,396
Finance lease income (note 15)	**188,158**	185,587
Value chain business	**82,132**	111,870
	1,399,428	1,279,853

4 OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

– The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies (note 9).

– The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

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

	2017				*2016*			
	Chilled water AED'000	***Value chain business AED'000***	***Eliminations AED'000***	***Total AED'000***	*Chilled water AED'000*	*Value chain business AED'000*	*Eliminations AED'000*	*Total AED'000*
Revenue								
External revenue	**1,317,296**	**82,132**	**-**	**1,399,428**	1,167,983	111,870	-	1,279,853
Inter–segment revenue	**-**	**23,786**	**(23,786)**	**-**	-	20,185	(20,185)	-
Total revenue	**1,317,296**	**105,918**	**(23,786)**	**1,399,428**	1,167,983	132,055	(20,185)	1,279,853
Operating costs	**(721,943)**	**(64,815)**	**14,994**	**(771,764)**	(616,593)	(83,609)	18,223	(681,979)
Gross profit	**595,353**	**41,103**	**(8,792)**	**627,664**	551,390	48,446	(1,962)	597,874
Administrative and other expenses	**(168,131)**	**(32,133)**	**4,707**	**(195,557)**	(164,073)	(31,527)	3,057	(192,543)
Operating profit	**427,222**	**8,970**	**(4,085)**	**432,107**	387,317	16,919	1,095	405,331
Finance costs	**-**	**-**	**-**	**(162,318)**	-	-	-	(155,959)
Finance income	**-**	**-**	**-**	**840**	-	-	-	394
Other gains and losses	**-**	**-**	**-**	**2,351**	-	-	-	4,986
Share of results of associates and joint ventures	**128,790**	**-**	**-**	**128,790**	116,950	-	-	116,950
				401,770				371,702

4 OPERATING SEGMENTS (continued)

Inter-segment revenues are eliminated on consolidation.

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

	2017			*2016*		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Depreciation	133,144	7,044	140,188	122,437	6,986	129,423
Finance lease amortisation	55,741	-	55,741	48,415	-	48,415

Segment assets and liabilities are as follows:

	2017				*2016*			
	Chilled water AED'000	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*
Segment assets	7,660,143	160,047	-	7,820,190	7,634,562	187,615	-	7,822,177
Investments in associates	702,318	-	-	702,318	640,516	-	-	640,516
Investment in joint ventures	123,881	-	-	123,881	185,580	-	-	185,580
Unallocated assets	-	-	49,228	49,228	-	-	13,120	13,120
Total assets	8,486,342	160,047	49,228	8,695,617	8,460,658	187,615	13,120	8,661,393
Segment liabilities	674,989	54,980	-	729,969	753,314	46,108	-	799,422
Unallocated liabilities	-	-	3,168,624	3,168,624	-	-	3,423,880	3,423,880
Total Liabilities	674,989	54,980	3,168,624	3,898,593	753,314	46,108	3,423,880	4,223,302

Unallocated assets represent bank deposits of AED 49.2 million (2016: AED 13.1 million) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 2,009.1 million (2016: AED 3,229.9 million), Islamic financing arrangement of AED 1,155.2 million (2016: nil), obligations under finance lease of AED 4.4 million (2016: AED 11.3 million) and mandatory convertible bond – liability component of nil (2016: AED 182.6 million)

Other segment disclosures :

	2017			*2016*		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Capital expenditure:						
Property, plant and equipment	18,467	2,218	20,685	122,519	4,306	126,825
Capital work in progress	74,987	-	74,987	198,750	-	198,750
Investment in an associate and a joint venture	-	-	-	91,837	-	91,837

4 OPERATING SEGMENTS (continued)

Geographic information

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

	Revenue		*Non-current assets*	
	2017	*2016*	*2017*	*2016*
	AED '000	*AED '000*	*AED '000*	*AED '000*
United Arab Emirates	**1,339,268**	1,208,003	**6,156,686**	6,339,296
Others	**60,160**	71,850	**502,347**	433,981
	1,399,428	1,279,853	**6,659,033**	6,773,277

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

Revenue from external customers

The following table provides information relating to the Group's major customers which contribute more than 10% towards the Group's revenue in 2017 or 2016.

	2017	*2016*
	AED'000	*AED'000*
Chilled water segment:		
Customer 1	**357,386**	305,821
Customer 2	**263,936**	260,445
Customer 3	**131,111**	118,191
	752,433	684,457

5 FINANCE COSTS

	2017	*2016*
	AED '000	*AED '000*
Gross interest charge for the year	**162,318**	157,356
Less: interest capitalised during the year	-	(1,397)
Interest charged to consolidated statement of profit or loss during the year	**162,318**	155,959
Interest charged to consolidated statement of profit or loss comprises of:		
Interest on interest bearing loans and borrowings	**114,261**	123,027
Profit on Islamic financing arrangements	**22,883**	-
Accretion expense on mandatory convertible bonds (note 23)	**3,456**	9,214
Interest element of obligations under finance lease	**780**	1,412
Amortisation of transaction costs	**15,728**	15,768
Other finance costs	**5,210**	6,538
	162,318	155,959

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6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2017	*2016*
	AED '000	*AED '000*
Costs of inventories recognised as an expense	**32,292**	48,554
Depreciation (note 11)	**133,430**	123,880
Utility costs	**435,213**	338,077
Purchase of chilled water from a related party (note 27)	**99,359**	101,001
Staff and Others	**71,470**	70,467
	771,764	681,979

6.2 Administrative and other expenses

	2017	*2016*
	AED '000	*AED '000*
Staff costs	**129,191**	125,059
Depreciation (note 11)	**6,758**	5,543
Allowance for impairment of trade receivables (note 16)	**11,972**	5,694
Other administrative and general expenses	**47,636**	56,247
	195,557	192,543

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

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond (note 23).

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

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

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

	2017	*2016*
Profit for the year attributable to ordinary equity holders of the parent for basic earnings *(AED '000)*	**400,113**	367,362
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	**1,483,957**	736,474
Effect of mandatory convertible bond ('000)	**1,229,556**	1,977,039
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	**2,713,513**	2,713,513
Basic and diluted earnings per share *(AED)*	**0.15**	0.14

Basic earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 23). The Company does not have any instruments which would have a dilutive impact on earnings per share when exercised.

8 DIVIDENDS AND BOARD REMUNERATION

On 30 January 2018, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution to shareholders of dividend of 8.0 fils per share in respect of the fiscal year ended 31 December 2017.

The Board of Directors proposed a cash dividend of 6.5 fils per share pertaining to both common shareholders and mandatory convertible bond holder in respect of the fiscal year ended 31 December 2016. The dividend was approved by the shareholders at the Annual General Meeting held on 6 March 2017.

The dividend comprised of AED 48.0 million to the common shareholders and AED 128.5 million to the mandatory convertible bond holder and was paid in April 2017.

In 2016, the Board of Directors proposed a dividend of 6.0 fils per share in respect of the fiscal year ended 31 December 2015. This dividend was approved by the shareholders at the Annual General Meeting held on 3 March 2016 and was paid in April 2016.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2016 was also approved at the Annual General Meeting held on 6 March 2017. Board remuneration of AED 7.1 million for the year ended 31 December 2015 was approved at the previous Annual General Meeting on 3 March 2016.

9 SUBSIDIARIES AND MATERIAL PARTLY-OWNED SUBSIDIARIES

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

	Country of incorporation	*Percentage of holding*		*Principal activities*
		2017	*2016*	
Chilled water segment				
National Central Cooling Company Ras Al Khaimah LLC	UAE	**100**	100	Selling of chilled water
Summit District Cooling Company	UAE	**100**	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	**90**	90	Selling of chilled water
Tabreed Oman SAOC	Oman	**60**	60	Selling of chilled water
Tabreed LLC Oman	Oman	**100**	100	Selling of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	**100**	100	Operation and maintenance of plants
Tabreed Parks Investment LLC	UAE	**100**	100	Selling of chilled water
Prime District Cooling Company LLC	UAE	**75**	75	Selling of chilled water
Value chain business segment				
Gulf Energy Systems LLC	UAE	**100**	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	**60**	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	**100**	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	**100**	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	**70**	70	Design and supervision consultancy
Sahara Cooling and Air Conditioning LLC	UAE	**51**	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
Tasleem Metering and Payment LLC	UAE	**100**	100	Billing and collection of chilled water charges from residential and retail
Others - Unallocated				
Tabreed Holdings WLL	Bahrain	**100**	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC	UAE	**100**	100	Act as a holding company

None of the subsidiaries have material non-controlling interests.

10 CAPITAL WORK IN PROGRESS

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

	2017	*2016*
	AED '000	*AED '000*
Balance at 1 January	**109,741**	292,795
Additions during the year	**74,986**	198,750
Transfer to property, plant and equipment (note 11)	**(19,664)**	(319,689)
Transfer to finance lease (note 15)	**-**	(62,115)
	165,063	109,741
Advances to contractors	**5,768**	8,034
Balance at 31 December	**170,831**	117,775

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

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*
2017						
Cost:						
At 1 January 2017	3,506,099	2,202,336	7,949	42,915	1,077	5,760,376
Additions	3,799	13,365	159	3,261	101	20,685
Transfer from capital work in progress (note 10)	16,331	3,293	-	40	-	19,664
At 31 December 2017	3,526,229	2,218,994	8,108	46,216	1,178	5,800,725
Depreciation:						
At 1 January 2017	640,039	262,014	6,204	29,671	972	938,900
Depreciation for the year	87,822	47,658	775	3,896	37	140,188
At 31 December 2017	727,861	309,672	6,979	33,567	1,009	1,079,088
Net carrying amount before accumulated impairment:						
At 31 December 2017	2,798,368	1,909,322	1,129	12,649	169	4,721,637
Impairment:						
At 1 January 2017 and at 31 December 2017	514,931	461,320	-	-	-	976,251
Net carrying amount after accumulated impairment:						
At 31 December 2017	2,283,437	1,448,002	1,129	12,649	169	3,745,386

	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*
2016						
Cost:						
At 1 January 2016	3,201,558	2,001,335	11,507	41,185	523	5,256,108
Additions	97,964	20,349	869	7,540	103	126,825
Transfer from capital work in progress (note 10)	139,037	180,652	-	-	-	319,689
Transfer from assets held for sale	69,678	-	438	4,684	536	75,336
Disposals	(2,138)	-	(4,865)	(10,494)	(85)	(17,582)
At 31 December 2016	3,506,099	2,202,336	7,949	42,915	1,077	5,760,376
Depreciation:						
At 1 January 2016	520,876	218,492	10,074	31,465	484	781,391
Depreciation for the year	80,821	43,522	557	4,472	51	129,423
Transfer to assets held for sale	40,480	-	438	4,228	522	45,668
Depreciation relating to disposals	(2,138)	-	(4,865)	(10,494)	(85)	(17,582)
At 31 December 2016	640,039	262,014	6,204	29,671	972	938,900
Net carrying amount before accumulated impairment:						
At 31 December 2016	2,866,060	1,940,322	1,745	13,244	105	4,821,476
Impairment:						
At 1 January 2016 and at 31 December 2016	514,931	461,320	-	-	-	976,251
Net carrying amount after accumulated impairment:						
At 31 December 2016	2,351,129	1,479,002	1,745	13,244	105	3,845,225

11 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2017	*2016*
	AED '000	*AED '000*
Included in operating costs (note 6.1)	**133,430**	123,880
Included in administrative and other expenses (note 6.2)	**6,758**	5,543
	140,188	129,423

Property, plant and equipment of AED 4,540 million (2016: AED 4,427 million) have been pledged as security for the interest bearing loans and Islamic financing arrangements (note 21 & note 22).

Net book value of plant amounting to AED 32.7 million (2016: AED 35.0 million) are held under finance lease. The leased assets are pledged as security for the related finance lease liability (note 24).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

The Group 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 Group's management and Board of Directors.

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

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant,
    a. contracted but not connected at year end; and
    b. not connected at year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Group's weighted average cost of capital (WACC) of 7.5% - 8.5% (2016: 8.5% - 9.2%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		Ownership	
	Country of incorporation	***2017***	*2016*
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Sahara Cooling Limited	United Arab Emirates	**40%**	40%

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

	2017	*2016*
	AED '000	*AED '000*
At 1 January	**640,516**	590,178
Share of results for the year (i)	**102,868**	95,227
Dividends received	**(39,708)**	(47,257)
Share of changes in fair value of effective cash flow hedges	**(1,358)**	2,368
At 31 December	**702,318**	640,516

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

(i) Adjusted by profit resulting from transactions between the Company and the associates amounting to AED 0.6 million (2016: AED 1.9 million).

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12 INVESTMENTS IN ASSOCIATES (continued)

The following illustrates summarised financial information of the Group's investments in associates:

	Qatar Central Cooling Company PJSC AED 000'	*Tabreed District Cooling Company (Saudi) AED 000'*	*Others AED 000'*	*Total AED 000'*
2017				
Current assets	**310,247**	**419,008**	**125,248**	**854,503**
Non-current assets	**1,506,664**	**1,667,442**	**385,889**	**3,559,995**
Current liabilities	**(241,700)**	**(178,653)**	**(47,957)**	**(468,310)**
Non-current liabilities	**(623,379)**	**(1,130,813)**	**(219,260)**	**(1,973,452)**
Net assets	**951,832**	**776,984**	**243,920**	**1,972,736**
Tabreed's share of net assets	**418,806**	**194,246**	**89,266**	**702,318**
2016				
Current assets	333,995	380,735	94,635	809,365
Non-current assets	1,533,916	1,614,732	407,763	3,556,411
Current liabilities	(289,011)	(225,347)	(39,416)	(553,774)
Non-current liabilities	(697,259)	(1,055,123)	(266,166)	(2,018,548)
Net assets	881,641	714,997	196,816	1,793,454
Tabreed's share of net assets	387,922	178,749	73,845	640,516
2017				
Revenue	**395,273**	**278,074**	**119,409**	**792,756**
Cost of sales	**(169,410)**	**(89,507)**	**(54,779)**	**(313,696)**
Administrative and other expenses	**(92,553)**	**(28,380)**	**(2,997)**	**(123,930)**
Other Income	-	**35,096**	**10,023**	**45,119**
Net finance cost	**(11,726)**	**(56,848)**	**(11,137)**	**(79,711)**
Other Charges	**(10,332)**	-	-	**(10,332)**
Profit for the year	**111,252**	**138,435**	**60,519**	**310,206**
Tabreed's share of results for the year	**48,951**	**34,609**	**19,909**	**103,469**
2016				
Revenue	344,228	220,713	113,701	678,642
Cost of sales	(144,396)	(77,514)	(52,065)	(273,975)
Administrative and other expenses	(86,493)	(23,877)	(3,060)	(113,430)
Other Income	-	61,589	340	61,929
Net finance cost	(8,688)	(41,723)	(12,510)	(62,921)
Other Charges	(2,620)	-	-	(2,620)
Profit for the year	102,031	139,188	46,406	287,625
Tabreed's share of results for the year	44,894	34,797	17,465	97,156

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 5.8 million (2016: AED 4.5 million). Summarised financial information of the Group's investments in associates is adjusted for intercompany transactions.

13 INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

	Country of incorporation	*Ownership* **2017**	*2016*
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	**51%**	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	**50%**	50%
Business District Cooling Investment LLC	United Arab Emirates	**50%**	50%

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements as both the shareholders jointly control and have equal rights to the net assets.

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

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

Movement in investments in joint ventures is as follows:

	2017 *AED '000*	*2016* *AED '000*
At 1 January	**185,580**	51,000
Addition contribution to a joint venture (i)	**-**	91,837
Transfer of loan to investment	**-**	72,276
Share of results for the year	**25,321**	19,794
Dividends	**(82,769)**	(29,000)
Share of changes in fair value of effective cash flow hedges	**620**	590
Adjustments for inter group transactions	**(4,871)**	(20,917)
At 31 December	**123,881**	185,580
Share of the joint ventures' revenues and profits:		
Revenues	**92,755**	79,278
Profit for the year	**25,321**	19,794

(i) In 2016, the Company made an additional investment of AED 91.8 million in Business District Cooling Investment LLC. The investment had been accounted for as a joint venture under the equity method of accounting as both the shareholders jointly control and have equal rights to the net assets.

The following illustrates summarised financial information of the Group's investment in joint ventures:

	2017 *AED '000*	*2016* *AED '000*
Revenue	**185,032**	158,093
Cost of sales	**(90,400)**	(88,154)
Administrative and other expenses	**(12,951)**	(10,431)
Other Income	**171**	216
Net finance cost	**(31,230)**	(20,006)
Profit for the year	**50,622**	39,718
Tabreed's share of results for the year	**25,321**	19,794

13 INVESTMENTS IN JOINT VENTURES (continued)

	2017	*2016*
	AED '000	*AED '000*
Current assets	**235,933**	142,674
Non-current assets	**1,257,782**	1,276,807
Current liabilities	**(377,546)**	(142,027)
Non-current liabilities	**(869,043)**	(906,875)
Total net assets	**247,126**	370,579
Tabreed's share of net assets	**123,881**	185,580

Net assets of joint ventures include the Company's share of negative fair value of derivatives of a joint venture amounting to AED 21.2 million (2016: AED 21.8 million). Summarised financial information of the Group's investments in joint ventures is adjusted for intercompany transactions.

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

14 Goodwill

	2017	*2016*
	AED '000	*AED '000*
At 1 January	**27,710**	37,596
Accumulated impairment losses	**-**	(9,886)
At 31 December	**27,710**	27,710

Ian Banham & Associates

The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2022. The discount rate applied to the cash flow projections is 25% (2016: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2016: 3%).

15 FINANCE LEASE RECEIVABLES

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

	2017 AED '000	2016 AED '000
At 1 January	3,013,485	2,963,096
Initial recognition of new finance lease receivables during the year (i)	-	98,804
Finance lease income (note 3)	188,158	185,587
Lease rentals received	(243,899)	(234,002)
At 31 December	2,957,744	3,013,485

Analysed in the consolidated statement of financial position as follows:

	2017 AED '000	2016 AED '000
Current assets	242,638	230,918
Non-current assets	2,715,106	2,782,567
	2,957,744	3,013,485

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

	2017		2016	
	Minimum lease receivables AED '000	Present value of minimum lease AED '000	Minimum lease receivables AED '000	Present value of minimum lease AED '000
Within one year	250,883	242,638	243,899	230,918
After one but no more than five years	1,057,596	876,162	1,034,542	842,428
More than five years	3,784,481	1,838,944	4,058,418	1,940,139
	5,092,960	2,957,744	5,336,859	3,013,485
Unearned revenue	(2,135,216)	-	(2,323,374)	-
	2,957,744	2,957,744	3,013,485	3,013,485

Movement in unearned revenue is as follows:

	2017 AED '000	2016 AED '000
At 1 January	2,323,374	2,440,025
Relating to new finance leases	-	68,936
Recognised during the year (note 3)	(188,158)	(185,587)
At 31 December	2,135,216	2,323,374

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

15 FINANCE LEASE RECEIVABLES (continued)

(i) During 2016, the Company constructed a new district cooling plant for an existing customer and signed a cooling agreement with the customer. Management carried out an assessment of the arrangement to provide cooling services to the customer through the plant in accordance with the terms of the agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the plant and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the plant to the customer.

The carrying amount of the plant and related distribution network amounting to AED 62.1 million was transferred from capital work in progress and finance lease receivable was recorded at fair value at the inception of the Agreement amounting to AED 98.8 million, resulting in a gain of AED 36.7 million, recorded under other gains and losses in consolidated statement of profit or loss.

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2017	*2016*
	AED '000	*AED '000*
Trade receivables, net	**350,999**	262,128
Amounts due from related parties (note 27)	**62,814**	46,427
Advances to contractors and employees	**15,336**	13,493
Contract work in progress	**13,959**	16,183
Deposits and other receivables	**58,511**	54,997
Prepayments	**15,200**	15,887
	516,819	409,115

As at 31 December 2017, trade receivables with a nominal value of AED 21.2 million (2016: AED 16.1 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2017	*2016*
	AED '000	*AED '000*
At 1 January	**16,244**	16,135
Charge for the year (note 6.2)	**11,972**	5,694
Amounts written off	**(6,970)**	(5,585)
At 31 December	**21,246**	16,244

16 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

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

			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*
2017	**413,813**	**226,734**	**61,342**	**38,453**	**20,195**	**6,895**	**30,853**	**29,341**
2016	308,555	181,613	44,861	9,872	8,512	8,614	27,505	27,578

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 27.

17 CASH AND BANK DEPOSITS

Bank balances and cash included in the consolidated statement of financial position and in the consolidated statement of cash flows:

	2017 AED '000	*2016 AED '000*
Bank balances and cash	**369,053**	376,841
Bank deposits	**49,227**	13,120
Cash and cash equivalents as at 31 December	**418,280**	389,961

Included in the bank balances is an amount of AED 77.7 million (2016: AED 27.9 million) placed in debt service reserve accounts in relation to bank facilities and an amount of AED 26.2 million (2016: AED 33.9 million) held as cash margin against trade related bank guarantees and letters of credit.

Bank deposits attract a fixed rate of interest ranging from 0.95% to 2.75% per annum (2016: 1.3% to 2.5% per annum).

Non-cash transactions in the statement of cash flows:

Allocation of the equity and extinguishment of the liability component of the Mandatory Convertible Bonds (MCBs) as a result of conversion into ordinary shares is a non-cash event and has therefore been excluded from the statement of cash flow.

17 CASH AND BANK DEPOSITS (continued)

Geographical concentration of cash and bank deposits is as follows:

	2017 *AED '000*	*2016* *AED '000*
Within UAE	**407,492**	371,159
Outside UAE	**10,788**	18,802
	418,280	389,961

The table below details changes in the Group's labilities arising from financing activities, including both cash and non-cash changes.

	Interest bearing loans and borrowings *AED '000*	Islamic financing arrangements *AED '000*	Mandatory Convertible bonds *AED '000*	*Total* *AED '000*
Balance at 1 January	3,229,899	-	1,955,114	**5,185,013**
Financing cash flows	(1,241,070)	1,181,215	(43,222)	**(103,077)**
Transaction cost paid	6,418	(27,414)	-	**(20,996)**
Non cash transaction:				
Amortisation of transaction cost (note 5)	13,832	1,371	525	**15,728**
Accretion expense (note 5)	-	-	3,456	**3,456**
Transfer to other reserve (note 20)	-	-	61,166	**61,166**
Conversion of MCBs in to ordinary shares (note 18)	2,009,079	1,155,172	(1,977,039)	**1,187,212**
Balance at 31 December	**4,018,158**	**2,310,344**	**-**	**6,328,502**

18 ISSUED CAPITAL

	2017 *AED '000*	*2016* *AED '000*
Balance at 1 January	**738,490**	738,490
Issue of new shares upon conversion of MCBs	**1,977,039**	-
Balance at 31 December	**2,715,529**	738,490

	2017 **AED '000**	2016 AED '000
Authorised, issued and fully paid up share capital		
Shares 2,715,529,123 (2016: 738,489,648) ordinary shares of AED 1 each	**2,715,529**	738,490

On 16 August 2017, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares (note 23). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion.

On conversion, Mubadala Investment Company sold 40% of the Company's total ordinary shares to a new shareholder, Kahrabel FZE, which is a subsidiary of ENGIE.

19 TREASURY SHARES

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

20 RESERVES

Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the articles of association of the Company, 10% of the profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

Other reserve

During the year, the group transferred AED 61.2 million to other reserve upon conversion of mandatory convertible bonds into ordinary shares (note 18 & 23).

In addition to the above, other reserve includes amounts transferred on repurchase of Mandatory Convertible Bonds (MCB) 08 on 19 May 2011 through delivery of 415,683,447 shares. AED 1,145.2 million represents difference between the total of liability and equity components extinguished and shares issued. The reserve also includes an amount of AED 8.7 million created on settlement of subordinated loan facility - Tranche B into mandatory convertible bonds in 2012.

During the year 2014, the Company's Board of Directors resolved to transfer an amount of AED 137.8 million from the other reserve to retained earnings.

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during 2014 an amount of AED 54.4 million was transferred to other reserve which represents the difference between the carrying of MCB-4 and the amount attributable to share capital.

Further, during 2015, the Company repurchased a portion of MCB-1B that resulted in a one off charge to the other reserves amounting to AED 209.3 million.

21 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	***2017 AED '000***	*2016 AED '000*
Term loan 1- Facility A (note i)	EIBOR + margin	**149,263**	298,573
Term loan 1- Facility B (note i)	EIBOR + margin	**1,424,426**	1,424,511
Term loan 1- Facility C (note i)	EIBOR + margin	**-**	938,194
Revolving credit facility (note i)	EIBOR + margin	**-**	132,090
Term loan 2 (note ii)	LIBOR + margin	**115,048**	124,707
Term loan 3 (note iii)	4.5%	**65,096**	49,964
Term loan 4 (note iv)	EIBOR + margin	**180,470**	185,517
Term loan 5 (note v)	EIBOR + margin	**74,776**	76,343
		2,009,079	3,229,899

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

Analysed in the consolidated statement of financial position as follows:

	2017	*2016*
	AED '000	*AED '000*
Current portion	**164,457**	342,712
Non-current portion	**1,844,622**	2,887,187
	2,009,079	3,229,899

(i) Term loan 1 – facility (A, B and C)

Facility A
The facility A is repayable in 9 equal semi-annual instalments of AED 76.9 million each commencing from 31 December 2014 with the last instalment due on 31 December 2018. The facility carries interest rate of EIBOR plus a margin. During the year, total repayments of AED 153.8 million were made against this facility.

Facility B
Facility B is repayable in 4 equal semi-annual instalments of AED 76.9 million each commencing from 30 June 2019 and the remainder in a bullet payment on 31 March 2021. The facility carries interest rate of EIBOR plus a margin.

A revolving facility of AED 450 million is also available to the Group which is to be utilised in the form of issuance of documentary credits and drawing cash advances. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 March 2021. During the year, total drawdown of AED 100.0 million and total repayments of AED 240.0 million were made against this facility. As of 31 December 2017, the Company has no utilised balance from the revolving facility.

Facility C
During the year, the Group has refinanced facility C of AED 945.5 million with a new Islamic Financing arrangement of AED 1,025 million (note 22).

(ii) Term loan 2
Term loan 2 relating to a subsidiary borrowing is repayable in 22 semi-annual instalments starting 2008. During the year, total repayments of AED 9.9 million were made against this facility.

(iii) Term loan 3
Term loan 3 relating to a subsidiary borrowing with a local commercial bank, the loan is repayable in quarterly instalments and carries fixed interest of 4.5% per annum. The loan is secured by pari passu charge over plant and machinery. During the year, total drawdown of AED 20.0 million and total repayments of AED 4.8 million were made against this facility.

(iv) Term loan 4
Term loan 4 relating to a subsidiary borrowing facility from a local commercial bank amounting to AED 192.5 million which was obtained to finance the construction of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 23 semi-annual instalments commencing on March 2017 with a bullet payment of AED 48.1 million in March 2028. During the year, total repayments of AED 5.4 million were made against this facility.

21 INTEREST BEARING LOANS AND BORROWINGS (continued)

(v) Term loan 5
Term loan 5 relating to a subsidiary borrowing facility from a local commercial bank amounting to AED 77.9 million which was obtained to finance the acquisition of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 30 June 2031. During the year, total repayments of AED 1.7 million were made against this facility.

Included in the interest bearing loans and borrowings is an amount of AED 55.0 million (2016: AED 35.1 million) of unamortised transaction cost.

22 ISLAMIC FINANCING ARRANGEMENT

	Effective profit rate %	***2017 AED '000***	*2016 AED '000*
Tranche 1	EIBOR + margin	**970,534**	-
Tranche 2	EIBOR + margin	**184,638**	-
		1,155,172	-

Analysed in the consolidated statement of financial position as follows:

	2017 AED '000	*2016 AED '000*
Current portion	**65,292**	-
Non-current portion	**1,089,880**	-
	1,155,172	

During the year, the Group obtained a new syndicated Islamic financing facility with local banks amounting to AED 1,513.0 million in 3 tranches. The financing was obtained to refinance the existing term loan facility of AED 945.5 million and to fund capital expenditure. The facility carries profit rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against specified account receivables and property plant and equipment.

The facility is repayable in 20 semi-annual instalments commencing on December 2017 with a bullet payment of 43% of the facility amount payable in June 2027. All other key terms of the new facility are the same as the refinanced facility.

During the year, the Group has drawn Tranche 1 and Tranche 2 from the new Islamic facility amounting to AED 1,025 million and AED 195 million, respectively. Tranche 1 of the Islamic facility was utilized to settle the existing term loan facility of AED 945.5 million (note 21).

During the year, total repayments of AED 38.8 million were made against the Islamic financing arrangement.

Included in the Islamic financing arrangement is an amount of AED 26.0 million of unamortised transaction cost.

23 MANDATORY CONVERTIBLE BONDS (MCB)

On 16 August 2017, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares (note 18). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion.

As a result, the total balance of the equity component has been allocated to issued capital and other reserves, and the liability component has been extinguished. Accordingly, the difference between number of shares issued and the balance of the equity component and liability component has been transferred to other reserve.

	Mandatory convertible bond (MCB 1A)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2017	94,925	870,575	965,500
Accretion expense	162	-	162
Amortisation of transaction costs	1,782	-	1,782
Cash coupons paid	(22,292)	-	(22,292)
Conversion into ordinary shares	-	(989,945)	(989,945)
Transfer to other reserve	(74,577)	119,370	44,793
Balance at 31 December 2017	-	-	-

	Mandatory convertible bond (MCB 1B)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2017	27,298	244,850	272,148
Accretion expense	275	-	275
Amortisation of transaction costs	521	-	521
Cash coupons paid	(6,522)	-	(6,522)
Conversion into ordinary shares	-	(289,627)	(289,627)
Transfer to other reserve	(21,572)	44,777	23,205
Balance at 31 December 2017	-	-	-

23 MANDATORY CONVERTIBLE BONDS (MCB) (continued)

	Mandatory convertible bond (MCB 1C)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2017	60,415	559,951	620,366
Accretion expense	88	-	88
Amortisation of transaction costs	1,153	-	1,153
Cash coupons paid	(14,408)	-	(14,408)
Conversion into ordinary shares	-	(639,862)	(639,862)
Transfer to other reserve	(47,248)	79,911	32,663
Balance at 31 December 2017	-	-	-

	Mandatory convertible bond (MCB 4)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2017	-	97,100	97,100
Conversion into shares	-	(57,605)	(57,605)
Transfer to other reserve	-	(39,495)	(39,495)
Balance at 31 December 2017	-	-	-

	Total Mandatory convertible bonds		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2017	182,638	1,772,476	1,955,114
Accretion expense	525	-	525
Amortisation of transaction costs	3,456	-	3,456
Cash coupons paid	(43,222)	-	(43,222)
Conversion into ordinary shares	-	(1,977,039)	(1,977,039)
Transfer to other reserve	(143,397)	204,563	61,166
Balance at 31 December 2017	-	-	-

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

	At 31 December 2017 AED '000	*At 31 December 2016 AED '000*
Current	-	84,909
Non-current	-	97,729
	-	182,638

24 OBLIGATIONS UNDER FINANCE LEASE

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

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

	2017		*2016*	
	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	**4,517**	**4,374**	7,749	7,364
After one year but not more than five years	**-**	**-**	4,536	3,979
	4,517	**4,374**	12,285	11,343
Less: amounts representing finance charges	**(143)**	**-**	(942)	-
Present value of minimum lease payments	**4,374**	**4,374**	11,343	11,343

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

	2017 AED '000	*2016 AED '000*
Current	**4,374**	7,364
Non-current	**-**	3,979
	4,374	11,343

25 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:

	2017 AED '000	*2016 AED '000*
Balance at 1 January	**22,649**	20,625
Reclassified from disposal group held for sale	**-**	451
Net movement during the year	**3,327**	1,573
Balance at 31 December	**25,976**	22,649

26 ACCOUNTS PAYABLE AND ACCRUALS

	2017 *AED '000*	*2016* *AED '000*
Non-current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**14,079**	15,120
Others:		
Other payables and provisions	**114,365**	117,990
	128,444	133,110
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**50,685**	59,955
Due to a non-controlling interest	-	100,000
Accrued expenses	**54,929**	48,776
	105,614	208,731
Others:		
Accounts payable	**52,504**	22,115
Due to related parties (note 27)	**43,982**	40,584
Accrued expenses	**192,058**	202,141
Derivative financial instruments(i)	**10,770**	3,286
Other payables and provisions	**170,624**	166,806
	469,938	434,932
	575,552	643,663

(i)The group has entered into interest rate swaps (IRS) for the interest borrowing loans and Islamic financing arrangements denominated in AED, which are designated as a hedging instrument (note 31).

In 2014, the Company has recognised a provision of AED 102 million on an onerous contract with an associate for the purchase of chilled water related to plants covered under a cooling agreement with a customer. During the year, the Company has released an amount of AED 5.4 million (2016: AED 0.8 million)

Terms and conditions of the financial liabilities:

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

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

For terms and conditions relating to related parties, refer to note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, majority shareholder, directors and key management personnel of the Company, management entities engaged by 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 statement of profit or loss are as follows:

	2017				2016			
	Revenue AED'000	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*	*Revenue AED'000*	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*
Associated companies	-	99,359		4,838	-	101,001	-	4,929
Joint Venture	5,364	-	-	-	2,560	-	-	-
Majority shareholder	-	-	3,456	-	-	-	9,214	-
Associate of a majority shareholder	131,112	-	-	-	118,651	-	-	-
Government related departments and institutions	537	165,513	74,262	-	45,446	145,789	44,923	-

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

	2017				
	Mandatory convertible bond AED'000	*Accounts receivable AED'000*	*Bank balances AED'000*	*Accounts payables and advances AED'000*	*Interest bearing loans AED'000*
Associated companies	-	27,825	-	33,943	-
Joint venture	-	3,909	-	-	-
Associate of a majority shareholder	-	25,477	-	-	-
Government related departments and institutions	-	5,603	323,290	10,039	1,607,328
	-	62,814	323,290	43,982	1,607,328

	2016				
	Mandatory convertible bond AED'000	*Accounts receivable AED'000*	*Bank Balances AED'000*	*Accounts payables and advances AED'000*	*Interest bearing loans AED'000*
Associated companies	-	23,315	-	32,631	-
Joint venture	-	5,329	-	-	-
Majority shareholder (note 23)	1,955,114	-	-	-	-
Associate of a majority shareholder	-	13,815	-	-	-
Other related party	-	-	-	100,000	-
Government related departments and institutions	-	3,968	271,195	7,953	1,136,426
	1,955,114	46,427	271,195	140,584	1,136,426

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Terms and conditions	***2017*** ***AED '000***	*2016* *AED '000*
Mandatory convertible bond 1A	Interest bearing, unsecured, cash coupon	-	965,500
Mandatory convertible bond 1B	Interest bearing, unsecured, cash coupon	-	272,148
Mandatory convertible bond 1C	Interest bearing, unsecured, cash coupon	-	620,366
Mandatory convertible bond 4	Unsecured	-	97,100
Accounts receivable	Interest free, unsecured, settled over agreed payment terms	**62,814**	46,427
Accounts receivable from associate of a majority shareholder	Interest free, unsecured, payment terms as per agreed payment terms	**25,477**	13,815
Accounts payable	Interest free, unsecured, settled over normal credit period	**33,943**	32,631
Advance from a related party	Interest free, unsecured, settled on net basis		-
Interest bearing arrangements and Government related institutions	Interest bearing, secured, settled as per terms of the loan agreement	**1,607,328**	1,136,426
Accounts receivables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period	**5,603**	3,968
Accounts payables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period.	**10,039**	7,953

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, amounts owed by related parties with a nominal value of AED 1.3 million (2016: AED 1.7 million) were impaired and fully provided for. 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.

Other transactions:

(i) During the year, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares (note 18). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion (note 23)

Non-cash transactions:

(i) During 2016, capital expenditure incurred by an associate of the majority shareholder on behalf of the Group was transferred to the Group amounting to AED 39.1 million and settled against the receivables

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	2017 *AED '000*	*2016* *AED '000*
Short-term benefits	**6,886**	6,363
Employees' end of service benefits	**148**	131
	7,034	6,494
Number of key management personnel	**5**	4

28 CONTINGENT LIABILITIES

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

	2017 *AED '000*	*2016* *AED '000*
Performance guarantees	**112,588**	108,418
Advance payment guarantees	**673**	673
Financial guarantees	**2,585**	2,586
	115,846	111,677

The Company's share of contingencies of associates and joint ventures as of 31 December 2017 amounted AED 12.8 million (2016: AED 10.8 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

29 COMMITMENTS

Contractual commitments
The authorised contractual commitments as at 31 December 2017 but not provided for amounted to AED 147.0 million (2016: AED 174 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2017 amounted to AED 57.0 million (2016: AED 16.0 million).

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

29 COMMITMENTS (continued)

Operating lease commitments – lessor continued
These non-cancellable leases have remaining terms of between 15 and 30 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:

	2017 *AED '000*	*2016* *AED '000*
Within one year	**156,842**	149,008
After one year but not more than five years	**842,821**	793,772
More than five years	**3,564,605**	3,540,423
	4,564,268	4,483,203

Included in revenue is an amount of AED 153.1 million (2016: AED 138.1 million) related to operating lease income recognised during the year.

Included in operating lease commitments is an amount of AED 3,353.0 million relating to an associate of a majority shareholder, a related party (2016: AED 3,208.0 million).

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, obligations under finance lease, mandatory convertible bond - liability component, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity. The Group has various financial assets such as finance lease receivables, trade receivables, due from related parties and cash and bank 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 2017 and 2016 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, Islamic financing arrangements, deposits, finance lease receivables, finance lease liability and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2017 and 2016.

The sensitivity analysis 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 2017 and 2016.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk continued

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 statement of profit or loss 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 2017 and 2016 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 cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2017, after taking into account the effect of interest rate swaps, approximately 57% of the Group's borrowings are at a fixed rate of interest (2016: 37%).

Interest rate sensitivity

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

	Effect on profit AED '000
2017	
+100 basis point increase	(10,281)
-100 basis point decrease	10,281
2016	
+100 basis point increase	(14,387)
-100 basis point decrease	14,387

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

Foreign currency risk

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables and finance lease receivables is the carrying amount as disclosed in notes 16 and 15. The Group's three largest customers, including a related party, account for approximately 49% of outstanding trade and related party receivable balances at 31 December 2017 (2016: 3 customers 46%). Amounts due in respect of finance lease receivables are from four customers (2016: three customers).

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 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 2017						
Interest bearing loans and borrowings	-	33,967	328,959	1,733,494	253,613	2,350,033
Islamic financing arrangements	-	11,502	103,591	455,021	840,632	1,410,746
Obligations under finance leases	-	1,937	2,580	-	-	4,517
Accounts and retention payable, due to related parties and other financial liabilities	-	117,699	352,078	14,079	-	483,856
	-	165,105	787,208	2,202,594	1,094,245	4,249,152
At 31 December 2016						
Mandatory convertible bond	-	21,610	64,833	108,047	-	194,490
Interest bearing loans and borrowings	-	36,833	317,954	3,290,287	305,302	3,950,376
Obligations under finance leases	-	1,937	5,812	4,519	-	12,268
Accounts and retention payable, due to related parties and other financial liabilities	-	217,699	301,284	15,120	-	534,103
	-	278,079	689,883	3,417,973	305,302	4,691,237

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management
The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it, in the light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

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

	2017	*2016*
	AED '000	*AED '000*
Interest bearing loans and borrowings	**2,009,079**	3,229,899
Islamic financing arrangement	**1,155,172**	-
Mandatory convertible bond and – liability component	**-**	182,638
Obligation under finance lease	**4,374**	11,343
	3,168,625	3,423,880
Less: cash and bank deposits	**(418,280)**	(389,961)
Net debt	**2,750,345**	3,033,919
Equity attributable to equity holders of the parent	**4,725,935**	4,367,223
Adjustment for cumulative changes in fair values of derivatives	**37,774**	29,551
Total capital	**4,763,709**	4,396,774
Capital and net debt	**7,514,054**	7,430,693
Gearing ratio	**37%**	41%

31 FAIR VALUE MEASUREMENT

31.1 Fair values of financial instruments

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

	Carrying Amount		*Fair Value*	
	2017	*2016*	***2017***	*2016*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Financial assets				
Finance lease receivables	**2,957,744**	3,013,485	**3,570,822**	3,305,998
Financial liabilities				
Obligations under finance lease	**4,374**	11,343	**4,838**	12,385
Mandatory convertible bond – liability component	**-**	182,638	**-**	187,073

31.2 Fair value hierarchy

As at 31 December 2017 and 2016, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

	2017				*2016*			
	31 December 2017 AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*31 December 2016 AED'000*	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Liabilities measured at fair value								
Interest rate swaps	10,770	-	10,770	-	3,286	-	3,286	-
Assets for which fair values are disclosed								
Finance lease receivables	3,570,822	-	-	3,570,822	3,305,998	-	-	3,305,998
Liabilities for which fair values are disclosed								
Obligations under finance lease	4,838	-	-	4,838	12,385	-	-	12,385
Mandatory convertible bond – liability component	-	-	-	-	187,073	-	-	187,073
	4,838	-	-	4,838	199,458	-	-	199,458

During the reporting years ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

31 FAIR VALUE MEASUREMENT (continued)

31.2 Fair value hierarchy (continued)

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

- Asset held for sale (land) were valued based on an evaluation performed by an accredited external, independent valuer, applying a valuation model, recommended by the International Valuation Standards Committee.

- The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

31.3 Hedging activities

Cash flow hedges

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

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 1,820 million as at 31 December 2017 (2016: AED 1,819 million).

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

	Within 1 year AED '000	*1-3 years AED '000*	*Total AED '000*
2017			
Cash inflows (assets)	**35,479**	**75,983**	**111,462**
Cash outflows (liabilities)	**(48,584)**	**(80,915)**	**(129,499)**
Net cash outflow	**(13,105)**	**(4,932)**	**(18,037)**
2016:			
Cash inflows (assets)	30,288	33,390	63,678
Cash outflows (liabilities)	(41,328)	(36,211)	(77,539)
Net cash outflow	(11,040)	(2,821)	(13,861)

All derivative contracts are with counterparty banks in UAE.

National Central Cooling Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Central Cooling Company PJSC
Abu Dhabi, UAE

Report on the audit of the consolidated financial statements of National Central Cooling Company PJSC

Opinion

We have audited the consolidated financial statements of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (IESBA Code) and with the requirements relevant to our audit in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Carrying value of property, plant and equipment and intangible assets, including goodwill	
The Group has AED 3,845,225 thousand of property, plant and equipment as disclosed in Note 11 and intangible assets of AED 27,710 thousand as disclosed in Note 14 which represents significant balances recorded in the consolidated statement of financial position. The evaluation of the recoverable amount of these assets requires significant estimates as disclosed in Note 2.5 in determining the key assumptions supporting the expected future cash flows of the business and the utilisation of the relevant assets.	As part of our audit procedures, we have: ▪ Engaged our internal technical specialists and internal valuation specialists; ▪ Evaluated whether the model used by management to calculate the value in use of each CGU complies with IAS 36 Impairment of Assets; ▪ Obtained and analysed the financial impairment assessment provided by management for each subject asset to determine whether they are reasonable and supportable; ▪ Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations; ▪ Reviewed the reasonableness of growth rates; ▪ Assessed the reasonableness of key cash flow assumptions; and ▪ Performed sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Classification of plant asset as finance lease	
During the year, the Company constructed a new district cooling plant for an existing customer. The Company signed a cooling agreement with this customer for a contract period of 20 years. Since, the Agreement transfers substantially all the risk and rewards incidental to the ownership of the specified plants to the customer, Management has assessed and concluded that the arrangement is a finance lease as disclosed in Note 16 to the consolidated financial statements. Due to the significant judgement involved, the matter is considered to be a key audit matter.	As part of our audit procedures, we have: ▪ Engaged our internal valuation specialists; ▪ Reviewed the Agreement executed with the customer to provide required cooling services; ▪ Reviewed the requirements of IFRIC 4, "Determining whether an arrangement contains a lease"; ▪ Assessed the lease classification in the arrangement by reviewing the terms of the lease and third party valuation report; ▪ Analysed the implicit interest and discount rate calculated by management; ▪ Reviewed the calculation of minimum lease payments; ▪ Assessed the reasonableness of key assumptions used in minimum lease payment calculations; and ▪ Assessed the appropriateness of the gain recognised upon the recognition of finance lease.

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INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Provision for onerous contract	
The Group has entered into contractual arrangements where they are subject to application of Consumer Price Index (CPI) adjustment which can impact the profitability of such arrangements. Management made an assessment as to whether the impact of such factors has resulted in contracts becoming onerous. Management performs an annual assessment of the impact of CPI on such contracts and records a provision accordingly. Management's disclosures with regards to onerous provision are presented in notes 27 to the consolidated financial statements respectively.	As part of our audit procedures, we have: ▪ Tested the identification and completeness of onerous contracts through discussions with management, examination of board minutes, obtaining and reading new significant contracts and testing management's assumptions for all contracts where the cost exceeds the revenue to determine if the contracts are onerous; ▪ Tested the valuation of the onerous contract provisions by evaluating whether appropriate judgements and assumptions have been applied in determining the unavoidable costs of meeting the obligation and the estimate of the expected benefits to be received under the contract; ▪ Performed audit procedures on the cash flow model prepared by management to assess the accuracy of the provision. We have reviewed and challenged key assumptions used in developing the model; and ▪ Reviewed the pricing mechanism in contracts with customer to further substantiate the input and assumptions used in the cash flow model.

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INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors Report, which we obtained prior to the date of this auditor's report, and the Key Achievements of 2016, Overview of 2016 and the Corporate Governance Report, which are expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we will read the Key Achievements of 2016, Overview of 2016 and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Federal Law No. (2) of 2015, and for such internal control as management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

The Group's consolidated financial statements as at 31 December 2015 were audited by another auditor whose report dated 31 January 2016 expressed an unmodified audit opinion.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i. we have obtained all the information we considered necessary for the purposes of our audit;

ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii. the Company has maintained proper books of account;

iv. the financial information included in the report of the Board of Directors are consistent with the books of account and records of the Company;

v. As disclosed in note 9 and 13 to the consolidated financial statements, the Group has further invested in a subsidiary and a joint venture during the financial year ended 31 December 2016;

vi. note 28 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii. based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Memorandum and Articles of Association which would materially affect its activities or its financial position as at 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration number 701
Abu Dhabi
29 January 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	Notes	2016 AED '000	2015 AED '000
Revenue	3 & 4	1,279,853	1,204,008
Operating costs	4 & 6.1	(681,979)	(643,393)
GROSS PROFIT		597,874	560,615
Administrative and other expenses	6.2	(192,543)	(177,918)
OPERATING PROFIT		405,331	382,697
Finance costs	5	(155,959)	(138,987)
Finance income		394	1,438
Other gains and losses	14,16,18 & 24	4,986	4,203
Share of results of associates and joint ventures	12 & 13	116,950	98,660
PROFIT FOR THE YEAR		371,702	348,011
Attributable to:			
Ordinary equity holders of the parent		367,362	345,345
Non-controlling interests		4,340	2,666
		371,702	348,011
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	0.14	0.11

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	***2016*** ***AED '000***	*2015* *AED '000*
PROFIT FOR THE YEAR		**371,702**	348,011
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Board remuneration during the year	8	**-**	(7,125)
Items that may be reclassified subsequently to profit or loss:			
Net movement in fair value of derivatives in cash flow hedges		**(390)**	25,897
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	12 & 13	**2,958**	(3,631)
Exchange differences arising on translation of overseas operations		**(142)**	(15)
TOTAL OTHER COMPREHENSIVE INCOME		**2,426**	15,126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**374,128**	363,137
Attributable to:			
Equity holders of the parent		**369,788**	360,471
Non-controlling interests		**4,340**	2,666
		374,128	363,137

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 AED '000	2015 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	117,775	304,723
Property, plant and equipment	11	3,845,225	3,498,466
Intangible assets	14	27,710	37,596
Investments in associates and joint ventures	12 & 13	826,096	641,178
Loan to a joint venture	15 & 28	-	72,276
Finance lease receivables	16	2,782,567	2,736,692
		7,599,373	7,290,931
Current assets			
Inventories		32,026	37,813
Accounts receivable and prepayments	17	409,115	409,506
Finance lease receivables	16	230,918	226,404
Cash and term deposits	19	389,961	176,969
		1,062,020	850,692
Disposal group and asset held for sale	18	-	91,201
		1,062,020	941,893
TOTAL ASSETS		8,661,393	8,232,824
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	738,490	738,490
Treasury shares	21	(2,016)	(2,016)
Statutory reserve	22	234,092	197,356
Retained earnings		888,361	720,667
Foreign currency translation reserve		(2,715)	(2,573)
Cumulative changes in fair value of derivatives in cash flow hedges		(29,551)	(32,119)
Mandatory convertible bond – equity component	24	1,772,476	1,772,476
Other reserve	22	768,086	768,086
Equity attributable to the equity holders of the parent		4,367,223	4,160,367
Non – controlling interests		70,868	65,399
Total equity		4,438,091	4,225,766
Non-current liabilities			
Accounts payable, accruals and provisions	27	133,110	128,546
Interest bearing loans and borrowings	23	2,887,187	2,808,286
Obligations under finance lease	25	3,979	10,320
Mandatory convertible bond– liability component	24	97,729	173,908
Employees' end of service benefits	26	22,649	20,625
		3,144,654	3,141,685
Current liabilities			
Accounts payable, accruals and provisions	27	643,663	568,001
Interest bearing loans and borrowings	23	342,712	189,021
Mandatory convertible bond– liability component	24	84,909	84,909
Obligations under finance lease	25	7,364	7,364
		1,078,648	849,295
Liabilities directly associated with the assets held for sale	18	-	16,078
		1,078,648	865,373
Total liabilities		4,223,302	4,007,058
TOTAL EQUITY AND LIABILITIES		8,661,393	8,232,824

Waleed Al Mokarrab Al Muhairi
Chairman

Jasim H. Thabet
Chief Executive Officer

Stephen John Ridlington
Chief Financial Officer

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Attributable to equity holders of the parent										
	Issued capital AED'000	*Treasury shares* AED'000	*Statutory reserve* AED'000	*Retained earnings* AED'000	*Foreign currency translation reserve* AED'000	*Cumulative changes in fair value of derivatives* AED'000	*Mandatory convertible bond- equity component* AED'000	*Other reserve* AED'000	*Total* AED'000	*Non-controlling interests* AED'000	*Total equity* AED'000
Balance at 1 January 2015	738,490	(2,016)	162,822	590,665	(2,558)	(54,385)	2,450,238	977,340	4,860,596	69,997	4,930,593
Profit for the year	-	-	-	345,345	-	-	-	-	345,345	2,666	348,011
Other comprehensive (loss)/ income for the year	-	-	-	(7,125)	(15)	22,266	-	-	15,126	-	15,126
Total comprehensive income/ (loss) for the year	-	-	-	338,220	(15)	22,266	-	-	360,471	2,666	363,137
Transfer to statutory reserve	-	-	34,534	(34,534)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders (note 8)	-	-	-	(36,925)	-	-	-	-	(36,925)	-	(36,925)
Dividends paid to mandatory convertible bond holders (note 8)	-	-	-	(136,759)	-	-	-	-	(136,759)	-	(136,759)
Repurchase of mandatory convertible bonds (note 24)	-	-	-	-	-	-	(677,762)	(209,254)	(887,016)	-	(887,016)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(7,264)	(7,264)
Balance at 31 December 2015	738,490	(2,016)	197,356	720,667	(2,573)	(32,119)	1,772,476	768,086	4,160,367	65,399	4,225,766
Balance at 1 January 2016	738,490	(2,016)	197,356	720,667	(2,573)	(32,119)	1,772,476	768,086	4,160,367	65,399	4,225,766
Profit for the year	-	-	-	367,362			-	-	367,362	4,340	371,702
Other comprehensive (loss) /income for the year	-	-	-	-	(142)	2,568	-	-	2,426	-	2,426
Total comprehensive income/(loss) for the year	-	-	-	367,362	(142)	2,568	-	-	369,788	4,340	374,128
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	7,588	7,588
Transfer to statutory reserve	-	-	36,736	(36,736)	-	-	-	-	-	-	-
Dividends paid to ordinary shareholders (note 8)	-	-	-	(44,310)	-	-	-	-	(44,310)	-	(44,310)
Dividends paid to mandatory convertible bond holders (note 8)	-	-	-	(118,622)	-	-	-	-	(118,622)	-	(118,622)
Dividends paid to minority interest shareholders	-	-	-	-	-	-	-	-	-	(6,459)	(6,459)
Balance at 31 December 2016	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Notes	2016 AED '000	2015 AED '000
OPERATING ACTIVITIES			
Profit for the year		371,702	348,011
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	129,423	119,900
Impairment of goodwill		9,886	-
Finance lease income	3&16	(185,587)	(187,994)
Share of results of associates and joint ventures	12&13	(116,950)	(98,660)
Net movement in employees' end of service benefits	26	1,573	(452)
Other gains		(38,297)	(4,203)
Allowance for slow moving inventory		14,200	-
Interest income		(394)	(1,438)
Finance costs	5	155,959	138,987
Working capital adjustments:			
Inventories		(2,534)	(2,111)
Accounts receivable and prepayments		10,800	79,675
Accounts payable, accruals and provisions		(23,150)	(9,728)
Lease rentals received	16	234,002	230,069
Board of Directors' remuneration paid	8	(7,125)	(7,125)
Net cash flows from operating activities		553,508	604,931
INVESTING ACTIVITIES			
Term deposits with original maturity of more than 3 months	19	-	252,674
Purchase of property, plant and equipment	11	(132,598)	(112,957)
Investments in a joint venture	12&13	(91,837)	-
Dividends from a Joint Venture		29,000	-
Dividends from associates	12	47,257	33,476
Payments for capital work in progress		(63,053)	(176,738)
Interest received		345	1,311
Proceed from disposal of assets held for sale	18	11,224	11,429
Net cash flows (used in)/ from investing activities		(199,662)	9,195
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	23	455,540	1,035,274
Interest bearing loans and borrowings repaid		(232,593)	(209,668)
Repurchase of Mandatory Convertible Bonds 1B	24	-	(1,000,000)
Cash coupon paid on mandatory convertible bonds	24	(86,444)	(103,517)
Payment for obligations under finance lease		(6,341)	(5,762)
Interest paid		(121,469)	(108,688)
Arrangement fees paid		(4,221)	(12,629)
Additional capital by non-controlling parties		7,588	-
Dividends paid to ordinary shareholders	8	(162,932)	(173,684)
Dividends paid to non-controlling interests and Shareholders		(6,459)	(7,264)
Net cash flows used in financing activities		(157,331)	(585,938)
NET INCREASE IN CASH AND CASH EQUIVALENTS		196,515	28,188
Cash and cash equivalents at 1 January		193,446	165,258
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	389,961	193,446

Non-cash transactions are disclosed in note 28.

The attached notes 1 to 33 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016

1 GENERAL INFORMATION

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 Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The Company is a subsidiary of the Mubadala Development Company PJSC ("MDC" or the "Parent Company"). The principal activities of the Company and its subsidiaries (the "Group") are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

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

The Company amended its Articles of Association to comply with new UAE Federal Law No. 2 of 2015 ("Companies Law") and best practice regulations issued by Securities and Commodities Authority. The first amendment was approved by the Shareholders in the Annual General Meeting held on 2 March 2016. Subsequent to the year end, Shareholders approved further amendments at a General Meeting held on 15th January, 2017.

The Group has not made any social contributions during the year.

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 29 January 2017.

2.1 BASIS OF PREPARATION

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Tabreed and its subsidiaries (the "Group") as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

2.2 BASIS OF CONSOLIDATION (continued)

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services
Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when:

1) it is probable that the economic benefits associated with the contract will flow to the Group;
2) the contract costs attributable to the contract can be reliably estimated; and
3) the Group is reasonably confident about the collection of the amount recognised.

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year. Finance income on finance lease receivables is included in revenue due to its operating nature.

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

Connection fees
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 statement of profit or loss.

Lease rental
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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

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

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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 statement of profit or loss 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 statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 statement of profit or loss as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

An item of property, plant and equipment and any significant part initially recognised 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 statement of profit or loss in the year the asset is derecognised.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss.

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 statement of profit or loss 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 statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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 statement of profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of profit or loss 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.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

- Financial assets at fair value through profit or loss; The Group did not have any financial assets at fair value through profit and loss during the years ended 31 December 2016 and 2015.
- Loans and receivables; This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation relating to finance lease receivable is included under revenue. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.
- Held-to-maturity investments; The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.
- Available-for-sale (AFS) investments; The Group did not have any available-for-sale investments during the years ended 31 December 2016 and 2015.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment and other financial assets (continued)

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

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

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and non-collectability of financial assets (continued)

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

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

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

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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 short term deposits
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the Group's cash management.

Assets classified as held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Accounts payable and accruals

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

Interest bearing loans & borrowings

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

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

Mandatory convertible bond

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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

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

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

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Decommissioning liability

The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Contingent liabilities recognised in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Employees' end of service benefits

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

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

Derivative financial instruments and hedging

Initial recognition and subsequent measurement

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

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

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

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

Amounts recognised in the consolidated statement of comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss, such as when the hedged interest expense is recognised or when a forecast sale occurs.

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

Where the hedged item is the cost of a non-financial asset or non-financial liability, the cumulative amounts recognised in the consolidated statement of changes in equity are transferred to the initial carrying amount of the non-financial asset or liability.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss. 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 statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the consolidated statement of profit or loss.

Fair value measurement
The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 32.

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 32.

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

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

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

2.4 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 *Regulatory Deferral Accounts*
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*: Bearer Plants
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Disclosures relating to the Group's exposure to risks and uncertainties include:

• Capital management	Note 31
• Financial instruments risk management and policies	Note 31
• Sensitivity analyses disclosures	Note 31

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments

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

IFRIC 4 Determining whether an Arrangement contains a Lease

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

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

Impairment of non-financial assets – Indicators of impairment

Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units, property, plant and equipment, capital work in progress and intangible assets. A broad range of internal and external factors is considered as part of the indicator review process. Refer to note 11 for details on judgements and estimates applied by the management.

Contingencies

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

Asset retirement obligation

The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from the respective customer or third party. The cost estimates relating to asset retirement obligations can vary in response to factors including changes to relevant legal requirements, the emergence of new techniques or experience at sites. The expected timing of expenditure can also change. However, the Group expects the financial impact of any such factors would be negligible.

Provisions relating to contracts

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

Determination of cash-generating unit (CGU)

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

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

Useful lives of property, plant and equipment

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

Fair value of financial instruments

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

Impairment of non-financial assets

Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require 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:

	2016	*2015*
	AED '000	*AED '000*
Capital work in progress (note 10)	**117,775**	304,723
Property, plant and equipment (note 11)	**3,845,225**	3,498,466
Intangible assets (note 14)	**27,710**	37,596

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

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

At the reporting date, gross trade accounts receivable were AED 278.4 million (2015: AED 254.5 million) and impairment loss recognised in the consolidated statement of profit or loss for the year ended 31 December 2016 was AED 5.7 million (2015: AED 4.3 million).

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)
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 46.2 million (2015: AED 37.8 million). Provision of AED 14.2 million has been made for obsolete inventories during the year ended 31 December 2016 (2015: AED nil). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated statement of profit or loss.

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses	1 January 2017

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

2.6 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of revenue from contracts with customers and the Group's consolidated financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3 REVENUE

	2016 AED '000	2015 AED '000
Supply of chilled water and operating revenue (note 30)	982,396	914,761
Finance lease income (note 16)	185,587	187,994
Value chain business	111,870	101,253
	1,279,853	1,204,008

4 OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies (note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

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

	2016				*2015*			
	Chilled water AED'000	*Value chain business AED'000*	*Eliminations AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Eliminations AED'000*	*Total AED'000*
Revenue								
External Revenue	1,167,983	111,870	-	1,279,853	1,102,755	101,253	-	1,204,008
Inter–segment revenue	-	20,185	(20,185)	-	-	18,597	(18,597)	-
Total revenue	1,167,983	132,055	(20,185)	1,279,853	1,102,755	119,850	(18,597)	1,204,008
Operating costs	(616,593)	(83,609)	18,223	(681,979)	(577,028)	(84,499)	18,134	(643,393)
Gross profit	551,390	48,446	(1,962)	597,874	525,727	35,351	(463)	560,615
Administrative and other expenses	(164,073)	(31,527)	3,057	(192,543)	(155,299)	(23,456)	837	(177,918)
Operating profit	387,317	16,919	1,095	405,331	370,428	11,895	374	382,697
Finance costs	-	-	-	(155,959)	-	-	-	(138,987)
Finance income	-	-	-	394	-	-	-	1,438
Other gains and losses	-	-	-	4,986	-	-	-	4,203
Share of results of associates and joint ventures	116,950	-	-	116,950	98,660	-	-	98,660
				371,702				348,011

4 OPERATING SEGMENTS continued

Inter-segment revenues are eliminated on consolidation.

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

	2016			*2015*		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Depreciation	**122,437**	**6,986**	**129,423**	116,824	3,076	119,900
Finance lease amortisation	**48,415**	**-**	**48,415**	42,075	-	42,075

Segment assets and liabilities are as follows:

	2016				*2015*			
	Chilled water AED'000	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Unallocated AED'000*	*Total AED'000*
Segment assets	**7,634,562**	**187,615**	**-**	**7,822,177**	7,348,701	129,744	-	7,478,445
Disposal group and asset held for sale	**-**	**-**	**-**	**-**	21,055	70,146	-	91,201
Investments in associates	**640,516**	**-**	**-**	**640,516**	590,178	-	-	590,178
Investment in joint ventures	**185,580**	**-**	**-**	**185,580**	51,000	-	-	51,000
Unallocated assets	**-**	**-**	**13,120**	**13,120**	-	-	22,000	22,000
Total assets	**8,460,658**	**187,615**	**13,120**	**8,661,393**	8,010,934	199,890	22,000	8,232,824
Segment liabilities	**753,314**	**46,108**	**-**	**799,422**	673,838	43,334	-	717,172
Liabilities directly associated with asset held for sale	**-**	**-**	**-**	**-**	-	16,078	-	16,078
Unallocated liabilities	**-**	**-**	**3,423,880**	**3,423,880**	-	-	3,273,808	3,273,808
Total Liabilities	**753,314**	**46,108**	**3,423,880**	**4,223,302**	673,838	59,412	3,273,808	4,007,058

Unallocated assets represent bank deposits of AED 13.1million (2015: AED 22.0 million) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 3,229.9 million (2015: AED 2,997.3 million), obligations under finance lease of AED 11.3 million (2015: AED 17.7 million) and mandatory convertible bond – liability component of AED 182.6 million (2015: AED 258.8 million)

Other segment disclosures :

	2016			*2015*		
	Chilled water AED'000	*Value chain business AED'000*	*Total AED'000*	*Chilled water AED'000*	*Value chain business AED'000*	*Total AED'000*
Capital expenditure:						
Property, plant and equipment	**122,519**	**4,306**	**126,825**	109,291	3,666	112,957
Capital work in progress	**198,750**	**-**	**198,750**	191,702	-	191,702
Investment in an associate and a joint venture	**91,837**	**-**	**91,837**	-	-	-

4 OPERATING SEGMENTS continued

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

	Revenue		*Non-current assets*	
	2016	*2015*	***2016***	*2015*
	AED '000	*AED '000*	***AED '000***	*AED '000*
United Arab Emirates	**1,208,003**	1,160,345	**6,339,296**	6,116,684
Others	**71,850**	43,663	**433,981**	460,793
	1,279,853	1,204,008	**6,773,277**	6,577,477

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

Revenue from external customers
The following table provides information relating to the Group's major customers which contribute more than 10% towards the Group's revenue in 2016 or 2015.

	2016	*2015*
	AED'000	*AED'000*
Chilled water segment:		
Customer 1	**305,821**	302,077
Customer 2	**260,445**	249,647
Customer 3	**118,191**	112,315
	684,457	664,039

5 FINANCE COSTS

	2016	*2015*
	AED '000	*AED '000*
Gross interest charge for the year	**157,356**	138,987
Less: interest capitalised during the year	**(1,397)**	-
Interest charged to consolidated statement of profit or loss during the year	**155,959**	138,987
Interest charged to consolidated statement of profit or loss comprises of:		
Interest on interest bearing loans and borrowings	**123,027**	100,848
Accretion expense on mandatory convertible bonds (note 24)	**9,214**	14,735
Interest element of obligations under finance lease	**1,412**	1,990
Amortisation of transaction costs	**15,768**	14,036
Other finance costs	**6,538**	7,378
	155,959	138,987

6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2016	2015
	AED '000	AED '000
Costs of inventories recognised as an expense	48,554	53,974
Depreciation (note 11)	123,880	115,193
Utility costs	338,077	313,518
Purchase of chilled water from a related party (note 28)	101,001	99,260
Staff and Others	70,467	61,448
	681,979	643,393

6.2 Administrative and other expenses

	2016	2015
	AED '000	AED '000
Staff costs	125,059	120,088
Depreciation (note 11)	5,543	4,707
Provision for impairment of trade receivables (note 17)	5,694	4,331
Other administrative and general expenses	56,247	48,792
	192,543	177,918

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

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond (note 20).

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

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

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

	2016	*2015*
Profit for the year attributable to ordinary equity holders of the parent for basic earnings *(AED '000)*	**367,362**	345,345
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	**736,474**	736,474
Effect of mandatory convertible bond ('000)	**1,977,039**	2,352,999
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	**2,713,513**	3,089,473
Basic and diluted earnings per share *(AED)*	**0.14**	0.11

Basic earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 24). The Company does not have any instruments which would have a dilutive impact on earnings per share when exercised.

On 30 June 2015, 758,150,113 potential ordinary shares were retired as a result of repurchase of a portion of mandatory convertible bond (MCB-1B).

8 DIVIDENDS AND BOARD REMUNERATION

On 29 January 2017, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution to shareholders and mandatory convertible bond holder of dividend of 6.5 fils per share in respect of the fiscal year ended 31 December 2016.

A cash dividend of 6 fils per share pertaining to both common shareholders and mandatory convertible bond holder in respect of the fiscal year ended 31 December 2015 was approved by the shareholders at the Annual General Meeting held on 2 March 2016. The dividend comprised of AED 44.3 million to the common shareholders and AED 118.6 million to the mandatory convertible bond holder and was paid in April 2016.

In 2015, the Board of Directors proposed a dividend of 5 fils per share in respect of the fiscal year ended 31 December 2014. This dividend was approved by the shareholders at the Annual General Meeting held on 11 March 2015. The dividend comprised of AED 36.9 million to the common shareholders and AED 136.7 million to the mandatory convertible bond holder and was paid in April 2015.

During the year, management reassessed the accounting policy on Board of Director's remuneration and determined that it should be reflected in the statement of profit or loss. Accordingly, Board of Director's remuneration is accrued and expensed in the current year. The opening balance of the retained earning has not been restated to reflect the Board of Director's remuneration for 2015 of AED 7.1 million as the amount is considered immaterial.

9 SUBSIDIARIES AND MATERIAL PARTLY-OWNED SUBSIDIARIES

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

	Country of incorporation	*Percentage of holding 2016*	*2015*	*Principal activities*
Chilled water segment				
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100	Selling of chilled water
Summit District Cooling Company	UAE	100	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	90	90	Selling of chilled water
Tabreed Oman SAOC	Oman	60	60	Selling of chilled water
Tabreed LLC Oman	Oman	100	100	Selling of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	100	100	Operation and maintenance of plants
Tabreed Parks Investment LLC	UAE	100	100	Selling of chilled water
Prime District Cooling company LLC (i)	UAE	75	-	Selling of chilled water
Value chain business segment				
Gulf Energy Systems LLC	UAE	100	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	60	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	100	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	100	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	70	70	Design and supervision consultancy
Sahara Cooling and Air Conditioning LLC	UAE	51	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
Tasleem Metering and Payment LLC	UAE	100	100	Billing and collection of chilled water charges from residential and retail
Others - Unallocated				
Tabreed Holdings WLL	Bahrain	100	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC	UAE	100	100	Act as a holding company

None of the subsidiaries have material non-controlling interests.

(i) During the year, the Company incorporated a 75% owned subsidiary, Prime District Cooling Company LLC, in the Emirate of Abu Dhabi with a share capital of AED 5 million. The Company is incorporated to acquire a new plant and the principal activity of the subsidiary is to supply chilled water to customers.

10 CAPITAL WORK IN PROGRESS

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

	2016	*2015*
	AED '000	*AED '000*
Balance at 1 January	**292,795**	140,121
Additions during the year	**198,750**	191,702
Transfer to property, plant and equipment (note 11)	**(319,689)**	(16,132)
Transfer to finance lease (note 16)	**(62,115)**	(22,896)
	109,741	292,795
Advances to contractors	**8,034**	11,928
Balance at 31 December	**117,775**	304,723

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

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*
2016						
Cost:						
At 1 January 2016	3,201,558	2,001,335	11,507	41,185	523	5,256,108
Additions	97,964	20,349	869	7,540	103	126,825
Transfer from capital work in progress (note 10)	139,037	180,652	-	-	-	319,689
Transfer from assets held for sale (note 18)	69,678	-	438	4,684	536	75,336
Disposals	(2,138)	-	(4,865)	(10,494)	(85)	(17,582)
At 31 December 2016	3,506,099	2,202,336	7,949	42,915	1,077	5,760,376
Depreciation:						
At 1 January 2016	520,876	218,492	10,074	31,465	484	781,391
Depreciation for the year	80,821	43,522	557	4,472	51	129,423
Transfer to assets held for sale (note 18)	40,480	-	438	4,228	522	45,668
Depreciation relating to disposals	(2,138)	-	(4,865)	(10,494)	(85)	(17,582)
At 31 December 2016	640,039	262,014	6,204	29,671	972	938,900
Net carrying amount before accumulated impairment:						
At 31 December 2016	2,866,060	1,940,322	1,745	13,244	105	4,821,476
Impairment:						
At 1 January 2016	514,931	461,320	-	-	-	976,251
Impairment during the year	-	-	-	-	-	-
At 31 December 2016	514,931	461,320	-	-	-	976,251
Net carrying amount after accumulated impairment:						
At 31 December 2016	2,351,129	1,479,002	1,745	13,244	105	3,845,225

	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*
2015						
Cost:						
At 1 January 2015	3,287,947	1,883,476	10,748	40,180	1,059	5,223,410
Additions	813	108,273	997	2,874	-	112,957
Transfer from capital work in progress (note 10)	3,531	9,586	200	2,815	-	16,132
Transfer to assets held for sale (note 18)	(90,733)	-	(438)	(4,684)	(536)	(96,391)
At 31 December 2015	3,201,558	2,001,335	11,507	41,185	523	5,256,108
Depreciation:						
At 1 January 2015	486,448	176,635	10,245	32,840	991	707,159
Depreciation for the year	74,908	41,857	267	2,853	15	119,900
Transfer to assets held for sale (note 18)	(40,480)	-	(438)	(4,228)	(522)	(45,668)
At 31 December 2015	520,876	218,492	10,074	31,465	484	781,391
Net carrying amount before accumulated impairment:						
At 31 December 2015	2,680,682	1,782,843	1,433	9,720	39	4,474,717
Impairment:						
At 1 January 2015	514,931	461,320	-	-	-	976,251
Impairment during the year	-	-	-	-	-	-
At 31 December 2015	514,931	461,320	-	-	-	976,251
Net carrying amount after accumulated impairment:						
At 31 December 2015	2,165,751	1,321,523	1,433	9,720	39	3,498,466

11 PROPERTY, PLANT AND EQUIPMENT continued

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

	2016	*2015*
	AED '000	*AED '000*
Included in operating costs (note 6.1)	**123,880**	115,193
Included in administrative and other expenses (note 6.2)	**5,543**	4,707
	129,423	119,900

Property, plant and equipment together with the customer receivables associated with these plants of AED 4,427 million (2015: AED 4,411 million) have been pledged as security for the interest bearing loans (note 23).

Net book value of plant amounting to AED 35 million (2015: AED 36.6 million) are held under finance lease. The leased assets are pledged as security for the related finance lease liability (note 25).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

The Group 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 Group's management and Board of Directors.

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

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant,
    a. contracted but not connected at year end; and
    b. not connected at year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Group's weighted average cost of capital (WACC) of 8.5% - 9.2% (2015: 8.5% - 9.2%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

		Ownership	
	Country of incorporation	***2016***	*2015*
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Sahara Cooling Limited	United Arab Emirates	**40%**	40%

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

	2016	*2015*
	AED '000	*AED '000*
At 1 January	**590,178**	529,430
Share of results for the year (i)	**95,227**	89,581
Dividends received	**(47,257)**	(33,476)
Share of changes in fair value of effective cash flow hedges	**2,368**	4,643
At 31 December	**640,516**	590,178

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

(i) Adjusted by profit resulting from transactions between the Company and the associates amounting to AED 1.9 million (2015: AED 1.3 million).

12 INVESTMENTS IN ASSOCIATES continued

The following illustrates summarised financial information of the Group's investments in associates:

	Qatar Central Cooling Company PJSC AED 000'	*Tabreed District Cooling Company (Saudi) AED 000'*	*Others AED 000'*	*Total AED 000'*
2016				
Current assets	**333,995**	**380,735**	**94,635**	**809,365**
Non-current assets	**1,533,916**	**1,614,732**	**407,763**	**3,556,411**
Current liabilities	**(289,011)**	**(225,347)**	**(39,416)**	**(553,774)**
Non-current liabilities	**(697,259)**	**(1,055,123)**	**(266,166)**	**(2,018,548)**
Net assets	**881,641**	**714,997**	**196,816**	**1,793,454**
Tabreed's share of net assets	**387,922**	**178,749**	**73,845**	**640,516**
2015				
Current assets	292,640	490,234	100,834	883,708
Non-current assets	1,299,391	1,328,691	423,903	3,051,985
Current liabilities	(264,531)	(256,986)	(51,898)	(573,415)
Non-current liabilities	(509,223)	(913,371)	(290,194)	(1,712,788)
Net assets	818,277	648,568	182,645	1,649,490
Tabreed's share of net assets	360,042	162,142	67,994	590,178
2016				
Revenue	**344,228**	**220,713**	**113,701**	**678,642**
Cost of sales	**(144,396)**	**(77,514)**	**(52,065)**	**(273,975)**
Administrative and other expenses	**(86,493)**	**(23,877)**	**(3,060)**	**(113,430)**
Other Income	**-**	**61,589**	**340**	**61,929**
Net finance cost	**(8,688)**	**(41,723)**	**(12,510)**	**(62,921)**
Other Charges	**(2,620)**	**-**	**-**	**(2,620)**
Profit for the year	**102,031**	**139,188**	**46,406**	**287,625**
Tabreed's share of results for the year	**44,894**	**34,797**	**17,465**	**97,156**
2015				
Revenue	352,822	181,888	114,598	649,308
Cost of sales	(149,215)	(66,370)	(57,630)	(273,215)
Administrative and other expenses	(88,717)	(26,211)	(1,585)	(116,513)
Other Income	-	72,982	-	72,982
Net finance cost	(10,573)	(29,273)	(13,454)	(53,300)
Other Charges	-	(20,000)	-	(20,000)
Profit for the year	104,317	113,016	41,929	259,262
Tabreed's share of results for the year	45,900	28,254	16,736	90,890

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 4.5 million (2015: AED 6.8 million). Summarised financial information of the Group's investments in associates is adjusted for intercompany transactions.

13 INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

	Country of incorporation	Ownership 2016	Ownership 2015
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	51%	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	50%	50%
Business District Cooling Investment LLC	United Arab Emirates	50%	50%

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements as both the shareholders jointly control and have equal rights to the net assets.

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

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

Movement in investments in joint ventures is as follows:

	2016 AED '000	2015 AED '000
At 1 January	51,000	49,233
Addition contribution to a joint venture (i)	91,837	-
Transfer of loan to investment (note 15)	72,276	-
Share of results for the year	19,794	7,770
Dividend	(29,000)	-
Share of changes in fair value of effective cash flow hedges	593	(8,274)
Adjustments for inter group transactions	(20,920)	2,271
At 31 December	185,580	51,000
Share of the joint ventures' revenues and profits:		
Revenues	79,278	104,789
Profit for the year	19,794	7,770

(i) In 2016, the Company made an additional investment of AED 91.8 million in Business District Cooling Investment LLC. The investment had been accounted for as a joint venture under the equity method of accounting as both the shareholders jointly control and have equal rights to the net assets.

The following illustrates summarised financial information of the Group's investment in joint ventures:

	2016 AED '000	2015 AED '000
Revenue	158,093	203,537
Cost of sales	(88,154)	(168,820)
Administrative and other expenses	(10,431)	(8,151)
Other income	216	222
Net finance cost	(20,006)	(11,275)
Profit for the year	39,718	15,513
Tabreed's share of results for the year	19,794	7,770

13 INVESTMENTS IN JOINT VENTURES *continued*

	2016	*2015*
	AED '000	*AED '000*
Current assets	142,674	284,660
Non-current assets	1,276,807	1,246,040
Current liabilities	(142,027)	(225,437)
Non-current liabilities	(906,875)	(1,130,989)
Loan from shareholders (note 15)	-	(72,276)
Total net assets	370,579	101,998
Tabreed's share of net assets	185,580	51,000

Net assets of joint ventures include the Company's share of negative fair value of derivatives of a joint venture amounting to AED 21.8 million (2015: AED 22.4 million). Summarised financial information of the Group's investments in joint ventures is adjusted for intercompany transactions.

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

14 INTANGIBLE ASSETS

	Goodwill	
	2016	*2015*
	AED '000	*AED '000*
At 1 January	37,596	37,596
Accumulated impairment losses	(9,886)	-
	27,710	37,596

Impairment testing of goodwill

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

	2016	*2015*
	AED '000	*AED '000*
Ian Banham & Associates	27,710	27,711
UAE Armed Forces	-	9,712
Other	-	173
Total	27,710	37,596

14 INTANGIBLE ASSETS *continued*

Impairment testing of goodwill continued

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

- Ian Banham & Associates cash-generating unit relating to goodwill arising from acquisition of equity interest in Ian Banham & Associates; and
- UAE Armed Forces cash generating unit relating to goodwill arising from acquisition of Gulf Energy Systems.

Ian Banham & Associates
The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2021. The discount rate applied to the cash flow projections is 25% (2015: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2015: 3%).

UAE Armed Forces cash generating unit
Since Gulf Energy Systems is not actively engaged in any major business activities, management has decided to impair the goodwill in full amounting to AED 9.9 million and recorded under other gains and losses in the consolidated statement of profit or loss.

15 LOAN TO A JOINT VENTURE

	2016	*2015*
	AED '000	*AED '000*
Loan to a joint venture	-	72,276

During the year, the Company reached to an agreement with its joint partner to treat a loan amounting to AED 72 million previously provided to S&T District Cooling Company LLC as an additional capital contribution (note 12).

16 FINANCE LEASE RECEIVABLES

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

	2016 AED '000	2015 AED '000
At 1 January	**2,963,096**	2,982,275
Initial recognition of new finance lease receivables during the year (i)	**98,804**	22,896
Finance lease income (note 3)	**185,587**	187,994
Lease rentals received	**(234,002)**	(230,069)
At 31 December	**3,013,485**	2,963,096

Analysed in the consolidated statement of financial position as follows:

	2016	2015
Current assets	**230,918**	226,404
Non-current assets	**2,782,567**	2,736,692
	3,013,485	2,963,096

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

	2016		2015	
	Minimum lease receivables AED '000	*Present value of minimum lease AED '000*	*Minimum lease receivables AED '000*	*Present value of minimum lease AED '000*
Within one year	**243,899**	**230,918**	234,003	226,404
After one but no more than five years	**1,034,542**	**842,428**	981,812	813,471
More than five years	**4,058,418**	**1,940,139**	4,187,306	1,923,221
	5,336,859	**3,013,485**	5,403,121	2,963,096
Unearned revenue	**(2,323,374)**	**-**	(2,440,025)	-
	3,013,485	**3,013,485**	2,963,096	2,963,096

Movement in unearned revenue is as follows:

	2016 AED '000	2015 AED '000
At 1 January	**2,440,025**	2,609,335
Relating to new finance leases	**68,936**	18,684
Recognised during the year (note 3)	**(185,587)**	(187,994)
At 31 December	**2,323,374**	2,440,025

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

16 FINANCE LEASE RECEIVABLES continued

(i) During the year, the Company constructed a new district cooling plant for an existing customer and signed a cooling agreement with the customer. Management has carried out an assessment of the arrangement to provide cooling services to the customer through the plant in accordance with the terms of the agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the plant and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the plant to the customer.

The carrying amount of the plant and related distribution network amounting to AED 62.1 million has been transferred from capital work in progress and finance lease receivable has been recorded at fair value at the inception of the Agreement amounting to AED 98.8 million, resulting in a gain of AED 36.7 million, recorded under other gains and losses in consolidated statement of profit or loss.

During 2015, Tabreed Oman, a subsidiary, signed a Master Cooling Agreement (the "Agreement") with a customer for a contract period of 15 years. Management has carried out an assessment of the arrangement to provide cooling services to the customer through the specified plants in accordance with the terms of the Agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the specified plants and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the specified plants to the customer.

The plant had been transferred from contract work in progress and finance lease receivable had been recorded at fair value of AED 22.8 million.

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2016	*2015*
	AED '000	*AED '000*
Trade receivables, net	**262,128**	238,404
Amounts due from related parties (note 28)	**46,427**	53,869
Advances to contractors and employees	**13,493**	19,117
Contract work in progress	**16,183**	40,058
Deposits and other receivables	**54,997**	47,981
Prepayments	**15,887**	10,077
	409,115	409,506

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

As at 31 December 2016, trade receivables with a nominal value of AED 16.2 million (2015: AED 16.1 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2016	*2015*
	AED '000	*AED '000*
At 1 January	**16,135**	11,932
Charge for the year (note 6.2)	**5,694**	4,331
Amounts written off	**(5,585)**	(128)
At 31 December	**16,244**	16,135

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	*Neither past due nor impaired*	*< 30 days*	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	*120 – 365 days*	*>365 days*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2016	**308,555**	**181,613**	**44,861**	**9,872**	**8,512**	**8,614**	**27,505**	**27,578**
2015	292,273	191,338	20,177	9,942	9,743	6,752	28,109	26,212

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 28.

18 DISPOSAL GROUP AND ASSET HELD FOR SALE

(i) Disposal group held for sale

During the year, due to a change in market conditions, the Group has changed its intention to sell one of its subsidiaries. Accordingly, the assets and liabilities that were previously classified as 'disposal group held for sale' has been represented under the applicable assets and liabilities captions as at 31 December 2016 and are measured at their carrying value in accordance with requirements of IFRS 5 Non-current assets held for sale and discontinued operations. Similarly, comparative amounts for "disposal group and assets held for sale" in the consolidated statement of profit or loss for prior year are represented to reflect the classification in the consolidated statement of profit or loss for the current year presented.

18 DISPOSAL GROUP AND ASSET HELD FOR SALE (continued)

The major classes of assets and liabilities of the subsidiary that were previously classified as 'disposal group held for sale' as at 31 December 2015 and represented in the current year as follows:

	AED '000
Assets	
Property, plant and equipment	29,668
Trade and other receivables	18,122
Inventories	5,879
Bank balances and cash associated with assets held for sale (note 19)	16,477
Assets held for sale	**70,146**
Liabilities	
Employees' end of service benefits	(451)
Accounts payables, advances and accruals	(15,627)
Liabilities directly associated with assets held for sale	**(16,078)**
Net assets held for sale	**54,068**

(ii) Asset held for sale

During the year, the Group sold a plot of land which was previously classified as held for sale. The carrying amount of the land was AED 21 million and the Group recognised a gain of AED 1.6 million on sale and is recognised under other gains and losses in the consolidated statement of profit or loss during the year.

19 CASH AND TERM DEPOSITS

Bank balances and cash included in the consolidated statement of financial position:

	2016 *AED '000*	*2015* *AED '000*
Bank balances and cash	**376,841**	154,969
Bank deposits	**13,120**	22,000
	389,961	176,969

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

	2016 *AED '000*	*2015* *AED '000*
Bank balances and cash	**376,841**	154,969
Bank deposits with original maturity of less than 3 months	**13,120**	22,000
Bank balance and cash attributable to disposal group (note 18)	**-**	16,477
Cash and cash equivalents as at 31 December	**389,961**	193,446

Bank deposits attract a fixed rate of interest ranging from 1.3 to 2.5% per annum (2015: 1.0% to 1.6% per annum).

19 CASH AND TERM DEPOSITS continued

Geographical concentration of cash and term deposits is as follows:

	2016 *AED '000*	*2015* *AED '000*
Within UAE	371,159	179,813
Outside UAE	18,802	13,633
	389,961	193,446

20 ISSUED CAPITAL

	2016 AED '000	*2015* AED '000
Authorised, issued and fully paid up share capital		
Shares 738,489,648 (2015: 738,489,648) ordinary shares of AED 1 each	738,490	738,490

21 TREASURY SHARES

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

22 RESERVES

Statutory reserve
As required by the UAE Federal Law No. (2) of 2015 and the articles of association of the Company, 10% of the profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

Other reserve
This represents amounts transferred on repurchase of Mandatory Convertible Bonds (MCB) 08 on 19 May 2011 through delivery of 415,683,447 shares. AED 1,145.2 million represents difference between the total of liability and equity components extinguished and shares issued. The reserve also includes an amount of AED 8.671 million created on settlement of subordinated loan facility - Tranche B into mandatory convertible bonds in 2012.

During the year 2014, the Company's Board of Directors resolved to transfer an amount of AED 137.8 million from the other reserve to retained earnings (note 24).

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during 2014 an amount of AED 54.4 million was transferred to other reserve which represents the difference between the carrying of MCB-4 and the amount attributable to share capital.

Further, during 2015, the Company repurchased a portion of MCB-1B (note 24) that resulted in a one off charge to the other reserves amounting to AED 209.3 million.

23 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	*2016 AED '000*	*2015 AED '000*
Term loan 1- Facility A (note i)	EIBOR + margin	298,573	473,168
Term loan 1- Facility B (note i)	EIBOR + margin	1,424,511	1,358,882
Term loan 1- Facility C (note i)	EIBOR + margin	938,194	997,828
Revolving credit facility (note i)	EIBOR + margin	132,090	-
Term loan 2 (note ii)	LIBOR + margin	124,707	133,744
Term loan 3 (note iii)	4.5%	49,964	33,685
Term loan 4 (note iv)	EIBOR + margin	185,517	-
Term loan 5 (note v)	EIBOR + margin	76,343	-
		3,229,899	2,997,307

Analysed in the consolidated statement of financial position as follows:

	2016 AED '000	*2015 AED '000*
Current portion	342,712	189,021
Non-current portion	2,887,187	2,808,286
	3,229,899	2,997,307

(i) Term loan 1 – facility (A, B and C)

Facility A

The facility A is repayable in 9 equal semi-annual instalments of AED 76.9 million each commencing from 31 December 2015 with the last instalment due on 31 December 2018. The facility carries interest rate of EIBOR plus a margin.

Facility B

Facility B is repayable in 4 equal semi-annual instalments of AED 76.9 million each commencing from 30 June 2019 and the remainder in a bullet payment on 31 March 2021. The facility carries interest rate of EIBOR plus a margin.

A revolving facility of AED 450 million is also extended to the Group which is to be utilised in the form of issuance of documentary credits and drawing cash advances. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 March 2021. As of 31 December 2016, the Company has utilised AED 140 million from the revolving facility.

Facility C

In 2015, the Company obtained a new term loan facility – Facility C, under its existing financing arrangement with a syndicate of commercial banks amounting to AED 1,000 million to finance the repurchase of Mandatory Convertible Bond 1B (note 24). The facility carries interest rate of EIBOR plus a margin.

Facility C is repayable in 11 equal semi-annual instalments of AED 18.2 million commencing on 31 December 2015 with a bullet payment of AED 800 million on 31 March 2021. All other terms of the new facility are the same as the existing facilities.

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

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31 December 2016

23 INTEREST BEARING LOANS AND BORROWINGS continued

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

(iii) Term loan 3
Term loan 3 relating to a subsidiary borrowing with a local commercial bank, the loan is repayable in quarterly instalments and carries fixed interest of 4.5% per annum. The loan is secured by pari passu charge over plant and machinery.

(iv) Term loan 4
During the year, the Group obtained a new term loan facility from a local commercial bank amounting to AED 192.5 million which was obtained to finance the construction of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 23 semi-annual instalments commencing on March 2017 with a bullet payment of AED 48.1 million in March 2028.

(v) Term loan 5
During the year, the Group obtained a new term loan facility from a local commercial bank amounting to AED 77.9 million which was obtained to finance the acquisition of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility is obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 30 June 2031.

24 MANDATORY CONVERTIBLE BONDS (MCB)

	Mandatory convertible bond (MCB)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
At 31 December 2016:			
MCB 1A (representing 989,944,912 shares at AED 1 each)	**94,925**	**870,575**	**965,500**
MCB 1B (representing 289,626,849 shares at AED 1 each)	**27,298**	**244,850**	**272,148**
MCB 1C (representing 639,862,459 shares at AED 1 each)	**60,415**	**559,951**	**620,366**
MCB 4 (representing 57,605,736 shares at AED 1 each)	**-**	**97,100**	**97,100**
Total 1,977,039,956 shares @ AED 1 each	**182,638**	**1,772,476**	**1,955,114**

24 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

	Mandatory convertible bond (MCB)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
At 31 December 2015:			
MCB 1A (representing 989,944,912 shares at AED 1 each)	134,428	870,575	1,005,003
MCB 1B (representing 289,626,849 shares at AED 1 each)	38,403	244,850	283,253
MCB 1C (representing 639,862,459 shares at AED 1 each)	85,986	559,951	645,937
MCB 4 (representing 57,605,736 shares at AED 1 each)	-	97,100	97,100
Total 1,977,039,956 shares @ AED 1 each	258,817	1,772,476	2,031,293

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

	At 31 December 2016 AED '000	*At 31 December 2015 AED '000*
Current	**84,909**	84,909
Non-current	**97,729**	173,908
	182,638	258,817

The Group has four series of MCBs in issue.

Mandatory convertible bond MCB-1A

The Group has two MCB1A bonds in issue:

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

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

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

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

The liability component of MCB-1A amounting to AED 95 million (2015: AED 134 million) net of transaction costs, represents present value of cash coupon payable till maturity, discounted at a market rate of 4% on inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1A amounting to AED 871 million (2015: AED 871 million) net of transaction costs, have been recognised as the equity component of MCB-1A.

24 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

Mandatory convertible bond MCB-1B

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

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

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

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

The liability component of MCB-1B amounting to AED 27 million (2015: AED 38 million) net of transaction costs, represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1B amounting to AED 245 million (2015: AED 245 million) net of transaction cost, have been recognised as the equity component of MCB-1B and adjusted for the settlement in kind of the coupon amounting to AED 144.8 million (2015: AED 144.8 million) relating to the period from inception to 31 December 2012.

On 7 June 2015, the Shareholders of the Company, at an Ordinary General Assembly, resolved to repurchase a portion of mandatory convertible bonds (MCB-1B) with a carrying amount of AED 795.9 million at a repurchase price of AED 1,000 million. The sale and repurchase agreement with the mandatory convertible bond holder was finalised on 30 June 2015 and consideration was subsequently transferred on 1 July 2015.

In line with the requirement of IFRS, the repurchase price of AED 113 million allocated to the liability component is determined as the fair value at the date of repurchase based on the present value of coupons payable till maturity discounted at current market rate of 6.3% per annum. The resulting gain of AED 5.1 million is recorded within other gains and losses in the consolidated statement of profit or loss.

The remainder of the repurchase price of AED 887 million is allocated to the equity component resulting in an adjustment of AED 209.3 million in equity under other reserves.

	Carrying amount AED '000	*Price allocation AED '000*	*Difference AED '000*
MCB 1B – Liability component	118,099	112,984	5,115
MCB 1B – Equity Component	677,762	887,016	(209,254)
	795,861	1,000,000	(204,139)

24 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

Mandatory convertible bond MCB-1C

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

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

The liability component of MCB-1C amounting to AED 60 million (2015: AED 86 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1C amounting to AED 560 million (2015: AED 560 million) have been recognised as the equity component of MCB-1C.

Mandatory convertible bond MCB-4

A mandatory convertible bond ("MCB-4") was issued on 22 May 2013 in the form of trust certificates for a total value of AED 133.9 million maturing in April 2019.

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

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

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

The mandatory convertible bonds MCB 1A, 1B, 1C and MCB 4 have been issued without any pledge or security.

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

	Mandatory convertible bond (MCB 1A)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2016	134,428	870,575	1,005,003
Accretion expense	4,753	-	4,753
Amortisation of transaction costs	327	-	327
Cash coupons paid	(44,583)	-	(44,583)
Balance at 31 December 2016	**94,925**	**870,575**	**965,500**

24 MANDATORY CONVERTIBLE BOND (MCB) *continued*

	Mandatory convertible bond (MCB 1B)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2016	38,403	244,850	283,253
Accretion expense	1,390	-	1,390
Amortisation of transaction costs	549	-	549
Cash coupons paid	(13,044)	-	(13,044)
Balance at 31 December 2016	**27,298**	**244,850**	**272,148**

	Mandatory convertible bond (MCB 1C)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2016	85,986	559,951	645,937
Accretion expense	3,071	-	3,071
Amortisation of transaction costs	175	-	175
Cash coupons paid	(28,817)	-	(28,817)
Balance at 31 December 2016	**60,415**	**559,951**	**620,366**

	Mandatory convertible bond (MCB 4)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January and 31 December	**-**	**97,100**	**97,100**
Total balance of MCBs at 31 December 2016	**182,638**	**1,772,476**	**1,955,114**
Total balance of MCBs at 31 December 2015	258,817	1,772,476	2,031,293

25 OBLIGATIONS UNDER FINANCE LEASE

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

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

	2016		2015	
	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	4,536	3,979	12,254	10,320
	12,285	11,343	20,003	17,684
Less: amounts representing finance charges	(942)	-	(2,319)	-
Present value of minimum lease payments	11,343	11,343	17,684	17,684

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

	2016 AED '000	*2015 AED '000*
Current	7,364	7,364
Non-current	3,979	10,320
	11,343	17,684

26 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:

	2016 AED '000	*2015 AED '000*
Balance at 1 January	20,625	21,528
Reclassified from/(to) disposal group held for sale (note 18)	451	(451)
Net movement during the year	1,573	(452)
Balance at 31 December	22,649	20,625

27 ACCOUNTS PAYABLE AND ACCRUALS

	2016 *AED '000*	*2015* *AED '000*
Non-current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	15,120	10,154
Others:		
Other payables and provisions	117,990	118,392
	133,110	128,546
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	59,955	66,360
Due to a non-controlling interest	100,000	-
Accrued expenses	48,776	53,444
	208,731	119,804
Others:		
Accounts payable	22,115	42,251
Due to related parties – associates (note 28)	40,584	52,363
Accrued expenses	202,141	182,985
Other payables and provisions	170,092	170,598
	434,932	448,197
	643,663	568,001

In 2014, the Company has recognised a provision of AED 102 million on an onerous contract with an associate for the purchase of chilled water related to plants covered under a cooling agreement with a customer. During the year, the Company has released an amount of AED 0.8 million (2015: AED 5.5 million)

Terms and conditions of the financial liabilities:

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

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

For terms and conditions relating to related parties, refer to note 28.

28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, majority shareholder, directors and key management personnel of the Company, management entities engaged by 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 statement of profit or loss are as follows:

	2016				2015			
	Revenue AED'000	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*	*Revenue AED'000*	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*
Associated companies	-	101,001	-	4,929	-	99,260		4,704
Majority shareholder	-	-	9,214	-	-	-	14,735	-
Associate of a majority shareholder	118,651	-	-	-	112,795	-	-	-
Government related departments and institutions	45,446	145,789	44,923	-	44,879	144,897	25,250	-

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

2016

	Loan receivable AED'000	*Mandatory convertible bond AED'000*	*Accounts receivable AED'000*	*Bank balances AED'000*	*Accounts payables and advances AED'000*	*Interest bearing loans AED'000*
Associated companies	-	-	23,315	-	32,360	-
Joint venture	-	-	5,329	-	-	-
Majority shareholder (note 24)	-	1,955,114	-	-	-	-
Associate of a majority shareholder	-	-	13,815	-	-	-
Other related party	-	-	-	-	100,000	-
Government related departments and institutions	-	-	3,968	141,003	7,953	1,136,426
	-	1,955,114	46,427	141,003	140,313	1,136,426

2015

	Loan receivable AED'000	*Mandatory convertible bond AED'000*	*Accounts receivable AED'000*	*Bank Balances AED'000*	*Accounts payables and advances AED'000*	*Interest bearing loans AED'000*
Associated companies	-	-	22,266	-	36,673	-
Joint venture	72,276		15,548	-	-	-
					-	-
Majority shareholder (note 24)	-	2,031,293	-	-		
Associate of a majority shareholder	-	-	8,004	-	-	-
Government related departments and institutions	-	-	8,051	73,534	15,690	1,158,027
	72,276	2,031,293	53,869	73,534	52,363	1,158,027

28 RELATED PARTY TRANSACTIONS AND BALANCES *continued*

Terms and conditions of transactions with related parties

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

	Terms and conditions	*2016 AED '000*	*2015 AED '000*
Loan to a joint venture	Interest free, unsecured, settlement in cash	-	72,276
Mandatory convertible bond 1A	Interest bearing, unsecured, cash coupon	**965,500**	1,005,003
Mandatory convertible bond 1B	Interest bearing, unsecured, cash coupon	**272,148**	283,253
Mandatory convertible bond 1C	Interest bearing, unsecured, cash coupon	**620,366**	645,937
Mandatory convertible bond 4	Unsecured	**97,100**	97,100
Accounts receivable	Interest free, unsecured, settled over agreed payment terms	**46,427**	53,869
Accounts receivable from associate of a majority shareholder	Interest free, unsecured, payment terms as per agreed payment terms	**13,815**	8,004
Accounts payable	Interest free, unsecured, settled over normal credit period	**32,360**	36,673
Advance from a related party	Interest free, unsecured, settled on net basis	-	-
Interest bearing arrangements and Government related institutions	Interest bearing, secured, settled as per terms of the loan agreement	**1,136,426**	1,158,027
Accounts receivables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period	**3,968**	8,051
Accounts payables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period.	**7,953**	15,690

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, amounts owed by related parties with a nominal value of AED 1.7 million (2015: AED 6.2 million) were impaired and fully provided for. 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.

Other transactions:

(i) In 2015, the Company entered into a sale and repurchase agreement with MDC for the repurchase of a portion of mandatory convertible bonds (MCB-1B) with a carrying amount of AED 795.9 million at a repurchase price of AED 1,000 million (note 24).

Non-cash transactions:

(i) During the year, capital expenditure incurred by an associate of the majority shareholder on behalf of the Group was transferred to the Group amounting to AED 39.1 million and settled against the receivables

(ii) During the year, the Company transferred a loan amounting to AED 72 million previously provided to S&T District Cooling Company LLC as an additional capital contribution (note 13 and note 15).

28 RELATED PARTY TRANSACTIONS AND BALANCES *continued*

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

	2016 *AED '000*	*2015* *AED '000*
Short-term benefits	**6,363**	6,204
Employees' end of service benefits	**131**	103
	6,494	6,307
Number of key management personnel	**4**	4

29 CONTINGENCIES

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

	2016 *AED '000*	*2015* *AED '000*
Performance guarantees	**108,418**	125,850
Advance payment guarantees	**673**	1,923
Financial guarantees	**2,586**	2,586
	111,677	130,359

The Company's share of contingencies of associates and joint ventures as of 31 December 2016 amounted AED 10.8 million (2015: AED 8.3 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

30 COMMITMENTS

Capital commitments
The authorised capital expenditure contracted for at 31 December 2016 but not provided for amounted to AED 174 million (2015: AED 302 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2016 amounted to AED 16 million (2015: AED 114.9 million).

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

30 COMMITMENTS continued

Operating lease commitments – lessor continued
These non-cancellable leases have remaining terms of between 15 and 30 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:

	2016 *AED '000*	*2015* *AED '000*
Within one year	**149,008**	132,366
After one year but not more than five years	**793,772**	698,655
More than five years	**3,540,423**	3,386,098
	4,483,203	4,217,119

Included in revenue is an amount of AED 138.1 million (2015: 134.2 million) related to operating lease income recognised during the year.

Included in operating lease commitments is an amount of AED 3,208 million relating to an associate of a majority shareholder, a related party (2015: AED 3,170 million).

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance. It is, and has been throughout 2016 and 2015 the Group's policy that no trading in derivatives shall be undertaken.

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

Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

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

The sensitivity analysis in the following sections relate to the position as at 31 December 2016 and 2015.

The sensitivity analysis 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 2016 and 2015.

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

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 statement of profit or loss 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 2016 and 2015 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 cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2016, after taking into account the effect of interest rate swaps, approximately 34% of the Group's borrowings are at a fixed rate of interest (2015: 37%).

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

	Effect on profit *AED '000*
2016	
+100 increase in basis points	(16,427)
-100 decrease in basis points	16,427
2015	
+100 increase in basis points	(14,387)
-100 decrease in basis points	14,387

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

Foreign currency risk

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

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

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk

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

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables and finance lease receivables is the carrying amount as disclosed in notes 17 and 16. The Group's three largest customers, including a related party, account for approximately 41% of outstanding trade and related party receivable balances at 31 December 2016 (2015: 3 customers 46%). Amounts due in respect of finance lease receivables are from four customers (2015: three customers).

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2016 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 2016						
Mandatory convertible bond	-	21,610	64,833	108,047	-	194,490
Interest bearing loans and borrowings	-	36,833	317,954	3,290,287	305,302	3,950,376
Obligations under finance leases	-	1,937	5,812	4,519	-	12,268
Accounts and retention payable, due to related parties and other financial liabilities	-	217,699	301,284	15,120	-	534,103
	-	278,079	689,883	3,417,973	305,302	4,691,237
At 31 December 2015						
Mandatory convertible bond	-	21,610	64,833	194,498	-	280,941
Interest bearing loans and borrowings	-	30,827	304,273	1,434,454	1,958,035	3,727,589
Obligations under finance leases	-	1,937	5,812	12,254	-	20,003
Accounts and retention payable, due to related parties and other financial liabilities	-	160,064	225,546	-	-	385,610
	-	214,438	600,464	1,641,206	1,958,035	4,414,143

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

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

	2016 *AED '000*	*2015* *AED '000*
Interest bearing loans and borrowings	**3,229,899**	2,997,307
Mandatory convertible bond and – liability component	**182,638**	258,817
Obligation under finance lease	**11,343**	17,684
	3,423,880	3,273,808
Less: cash and term deposits	**(389,961)**	(176,969)
Net debt	**3,033,919**	3,096,839
Equity attributable to equity holders of the parent	**4,367,223**	4,160,367
Adjustment for cumulative changes in fair values of derivatives	**29,551**	32,119
Total capital	**4,396,774**	4,192,486
Capital and net debt	**7,430,693**	7,289,325
Gearing ratio	**41%**	42%

32 FAIR VALUE MEASUREMENT

32.1 Fair values of financial instruments

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

	Carrying Amount		*Fair Value*	
	2016 *AED '000*	*2015* *AED '000*	*2016* *AED '000*	*2015* *AED '000*
Financial assets				
Finance lease receivables	**3,013,485**	2,963,096	**3,305,998**	3,273,998
Financial liabilities				
Obligations under finance lease	**11,343**	17,684	**12,385**	19,999
Mandatory convertible bond – liability component	**182,638**	258,817	**187,073**	262,311

32 FAIR VALUE MEASUREMENT *continued*

32.2 Fair value hierarchy

As at 31 December 2016 and 2015, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

		2016				2015			
	Date of valuation	*31 December 2016 AED'000*	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*31 December 2015 AED'000*	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Liabilities measured at fair value									
Interest rate swaps		3,286	-	3,286	-	2,894	-	2,894	-
Assets for which fair values are disclosed									
Finance lease receivables		3,305,998	-	-	3,305,998	3,273,998	-	-	3,273,998
Liabilities for which fair values are disclosed									
Obligations under finance lease		12,385	-	-	12,385	19,999	-	-	19,999
Mandatory convertible bond – liability component		187,073	-	-	187,073	262,311	-	-	262,311
		199,458	-	-	199,458	282,310	-	-	282,310

During the reporting years ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

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

- Asset held for sale (land) were valued based on an evaluation performed by an accredited external, independent valuer, applying a valuation model, recommended by the International Valuation Standards Committee.

- The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

32.3 Hedging activities

Cash flow hedges

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

32 FAIR VALUE MEASUREMENT *continued*

32.3 Hedging activities continued

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 1,819 million as at 31 December 2016 (2015: AED 1,546 million).

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

	Within 1 year AED '000	*1-3 years AED '000*	*Total AED '000*
2016			
Cash inflows (assets)	**30,288**	**33,390**	**63,678**
Cash outflows (liabilities)	**(41,328)**	**(36,211)**	**(77,539)**
Net cash outflow	**(11,040)**	**(2,821)**	**(13,861)**
2015:			
Cash inflows (assets)	26,095	35,074	61,169
Cash outflows (liabilities)	(33,448)	(34,602)	(68,050)
Net cash outflow	(7,353)	472	(6,881)

All derivative contracts are with counterparty banks in UAE.

33 Comparative information

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

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