التقــرير
الســـنوي ٢٠٠٨

Annual Report 2008

التقــرير الســـنوي ٢٠٠٨

tabreed تبريد

Annual
Report **2008**

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H.H. Sheikh Khalifa Bin Zayed Al Nahyan
President of the UAE and Ruler of Abu Dhabi

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

Content

Board of Directors

Board of Directors

Khadem Abdulla Al Qubaisi
Chairman

Waleed A. Al Mokarrab Al Muhairi
Vice-Chairman

Ibrahim Ahmed Al Ansari
Board Member

Khalifa Mohamed Al Mazrouei
Board Member

Abdul Raouf Al Bitar
Board Member

Abdulla Abdul Redha Khouri
Board Member

Ali Saeed Al Badi
Board Member

Khaled Abdulla Al Qubaisi
Managing Director
Board Member

Dany Safi
Board Member

Preface

Preface

Tabreed has continued to deliver success in 2008 by focusing on maintaining delivery in three core areas, which provide the pillars upon which the business has been built; utilizing partnerships with key infrastructure investment entities in the region, offering stable and consistent returns on capital investments and taking a long-term, sustainable approach, both in environmental and economic terms.

The key role that district cooling plays in the long-term infrastructure investment being undertaken in Abu Dhabi and the UAE as well as across the broader Middle East region means we offer a transparent, stable and consistent investment proposition. This is framed within a commitment to energy efficiency and environmental sustainability, which will be an important factor as the Middle East region maintains its rapid rate of growth, despite the current economic turbulence.

Tabreed's experienced and dedicated management team has an unmatched track record, and as a pioneering regional utility company we are well placed to continue our growth and deliver on the Board's vision, to the benefit of all the company's stakeholders and partners.

Chairman's Message

Chairman's Message

"Despite the growing global economic turmoil, we are pleased that Tabreed was able to deliver on the expectations of our customers and shareholders in 2008. We have been able to provide effective and efficient district cooling solutions to a range of government and corporate partners whilst maintaining our track record of significantly improved year-on-year financial results. Whilst 2009 will be an extremely trying year for the company, your Board of Directors has the strategy in place to build on these established foundations for 2009 and beyond."

Reflecting on the company's achievements in 2008, as your Chairman I am pleased to say that despite a deteriorating economic climate and diminishing access to capital around the world, Tabreed was able to deliver on our stakeholders' expectations. To the shareholders who deserve predictable financial returns, to communities that require year-round cooling solutions, and to governments and corporate partners that need on-time and on-budget infrastructure, there is no doubt that Tabreed once again delivered in 2008.

Continued Success in 2008

We are pleased to report another strong year for Tabreed, demonstrating the benefits of the utility company which focuses on generating predictable revenue streams from its district cooling assets.

Highlights of our achievements in 2008 include:

- Strong performance across all four core businesses of Services, Chilled Water Contracting and Manufacturing
- 2008 Revenues increased by 30% to AED 735 million (2007: AED 565 million)
- Gross Profit in 2008 rose by 26% to AED 319 million (2007: AED 253 million)
- Profit for the period rose by 8 % in 2008 to AED 109 million, despite one-off non-cash finance costs relating to accounting adjustments (2007: AED 101 million)
- 2 new cooling plants came online in 2008, bringing the total installed cooling capacity to 342,100 tonnes and plants in operation to 32 in UAE
- 16 cooling plants were under construction in 2008 in UAE, and are expected to come online in 2009 adding a further 158,900 tonnes of cooling capacity

Khadem Abdulla Al Qubaisi
Chairman

Sustainable
Growth

What the Future Holds For Tabreed

The consensus is that 2009 will be an extremely difficult year for business. The continuing economic turmoil that is constricting access to credit and stagnating both industry and consumer demand means that only the businesses with a sound business foundation will survive. For Tabreed in particular, the global turmoil means that we face an environment where clients are delaying projects, they are revising payment schedules, and they are reducing the scope of our projects for them.

The fact that Tabreed's business is founded on a utility business model means that while we expect 2009 to be an extremely trying year for the company, the focus on delivering stable returns will enable Tabreed to weather the current turbulent economic times over the long-term.

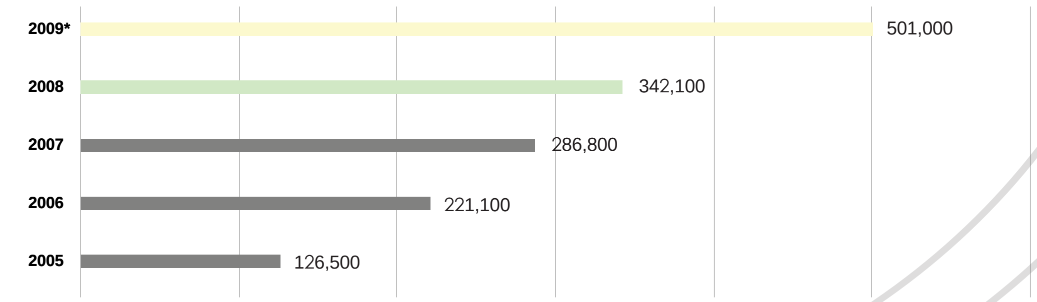
Changes announced to our business strategy in September of 2008 and the appointment in 2009 of Board Member Khaled Al Qubaisi as Managing Director to strengthen and support the executive management team mean that Tabreed is well placed to survive the global economic turmoil.

These economic pressures are felt most-strongest in the vanishing sources of capital for Tabreed; capital that is vital to the financing of our projects. The priority for Tabreed is on preserving existing sources of capital in order to continue to fund and deliver on our project commitments. This means concentrating on safeguarding all our sources of capital and using that capital only when absolutely necessary.

However, despite the near-term downward pressures on our business our focus remains on capitalizing on the growth in the region over the long-term. Ultimately, our priority is on building shareholder value by realizing the potential from the infrastructure growth opportunity of the Middle East region, framed within an environmentally sustainable approach.
We thank all of our shareholders for their continued support.

Report of the Board

Report of the Board



Installed Capacity / Refrigerating Ton

*** Projected**

Since our foundation nearly a decade ago, the evolution of the utility company business model adhered to by Tabreed has guided us through much change in the district cooling industry. Our goals and objectives are built from three key strategic pillars; to deliver stable and consistent returns for our shareholders, to maintain our role as a key infrastructure partner to our customers, and to pursue a financial and environmentally sustainable business model. Our strong track record of growth and expansion is a product of adhering to our clearly defined vision, mission and values.

Vision

To maintain our position as the partner of choice for key infrastructure projects in Abu Dhabi and the whole region

- District Cooling pioneer and industry leader
- Innovation, Commitment, Delivery, Sustainability

Experienced leadership team, established strategic partnerships, empowered employee base

Mission

To create sustainable value growth through customer-focused cooling solutions that are energy efficient and environmentally beneficial

- Enhance profitability and maximize shareholder value
- Continue to improve efficiencies, to further displace electricity demand and reduce CO_2 emissions
- Progress the evolution of the corporate strategy to allow the Company to focus on core strengths and improve return on investments for shareholders

Value creation for all our stakeholders, regional infrastructure investment support

Values

To continue to live up to our commitments and conduct our operations based on the highest set of principles:

- Commitment to shareholders, customers, employees, community and our environment
- Integrity, highest standards of safety performance

Stable growth framed within an environmentally sustainable approach

Strategy

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

CEO’s Message

"In 2008 we maintained our track record of consistent growth and put in place an evolved business structure and strategy that will enable Tabreed to deliver stable and sustainable expansion over the coming years, whatever the broader economic climate, based on our utility company business model."

Karl Marietta
CEO

Consistent Growth

Our evolving business strategy has allowed Tabreed to deliver strong earnings growth and shareholder returns over the past decade, and this continued in 2008, enabling us to once again announce our strongest financial results to date.

An evolving strategy to maximize returns and minimize risk

Tabreed recently announced the implementation of an innovative new business strategy, which retains the fundamental utility company business model whilst partially reorganizing its management team and making changes to its corporate structure. As part of this process I took on the role of CEO, previously acting as Deputy CEO and having been with Tabreed since its inception.

A key part of this process was also to revise the corporate structure and implement a plan to allow Tabreed to focus on its core strengths of developing, operating and maintaining district cooling assets whilst enabling Tabreed to reduce long term debt, reduce the reliance on shareholder equity to raise capital and increase the return on equity going forward.

Stability and Sustainability

This evolving strategy will allow Tabreed to continue to build a sustainable and stable business, and maintain its track record of growth despite the recent economic turmoil. The utility company business model means that despite the fact that our projects are initially capital intensive they provide sustainable returns through guaranteed cash flow from long-term contracts with our customers.

We have already built, and now operate and maintain, 34 district cooling plants in the region, with a further 19 under construction across the Middle East. As a leader in the district cooling industry, with an established history of pioneering innovative cooling solutions for our partners and customers, we are well placed to continue to grow at a consistent rate.

Included in the 19 plants currently under construction were some significant agreements signed during the course of the 2008 financial year, including projects for Abu Dhabi’s ADNEC and Sorouh Real Estate.

We also completed construction, and commenced operations of a number of plants which will make a long-term contribution to Tabreed’s ongoing financial success, such as our Khalifa City scheme – our largest plant ever designed for a 50,000 tonne cooling load and our Spinneys plant in Abu Dhabi at a 10,000 tonne cooling load. We will be even more active in 2009, with 19 new plants due to be completed, including major projects for the Dubai Metro system, the UAE Armed Forces, Yas Island and Raha Beach developments.

Long-Term Returns

The strong foundations we have established over the last ten years and the pillars upon which the business has been built mean we are confident of continuing to offer returns for shareholders over the next ten years and beyond. Across the UAE we are strongly positioned to benefit from the extensive infrastructure investment that continues to be undertaken. In particular, in Abu Dhabi the government has publicly stated its intention to develop public policy in the area of ‘infrastructure development and environmental sustainability’ as part of ‘Plan Abu Dhabi 2030’, a strategy which completely aligns with Tabreed’s mission and values and offers the significant potential upside for the business over the coming years.

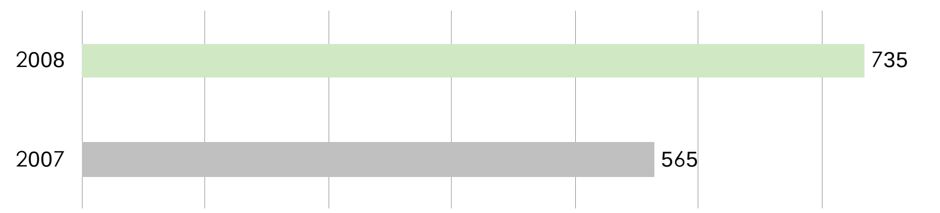
Other countries across the region are also investing heavily in infrastructure and the international partnerships and alliances we have established are already beginning to pay dividends. In conclusion, the outlook for Tabreed is an exciting one, and your management team is committed to ensuring the long-term support and investment from shareholders translates into a future of continued consistent, stable and sustainable returns.

Financial Results

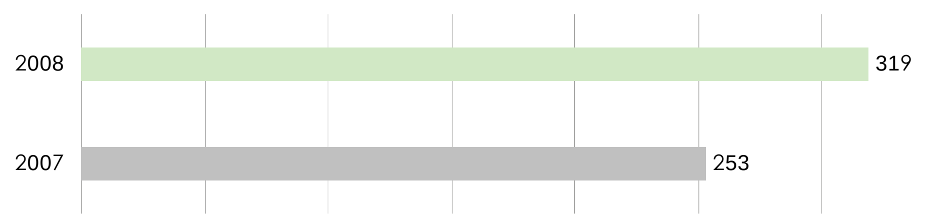
Financial Results Comments

In 2008 Tabreed delivered its strongest financial results to date, maintaining its record of consistently increasing revenues and gross profit every year since its first financial results in 1999.

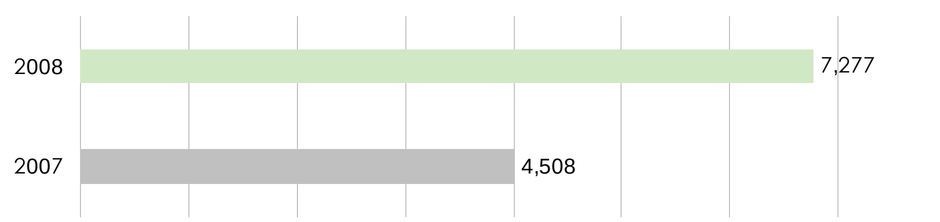
Revenues and gross profit rose by 30% and 26% respectively, whilst profit for the period also rose despite a non-cash financial cost attributable to a derivative liability arising from the manditory convertible bond. This represents a strong performance in the current economic environment, and illustrates the stability offered by Tabreed's utility company business model which generates long-term returns from the upfront investment.



Total Revenues / AED Millions



Gross Profit / AED Millions



Total Assets / AED Millions

Despite our need to preserve capital during the current economic turmoil, Tabreed remains in a solid financial position as it moves into the next growth phase.

While the accompanying detailed financial results and notes explain our strongest year to date, it is necessary to make a number of clarifications for disclosure purposes. Across the Middle East, Tabreed currently owns a percentage of seven subsidiaries, and wholly-owns seven subsidiaries (see Note 8). The company also has investments in five associated companies in the region (see Note 11) and one joint-venture (see Note 12). Tabreed's property holdings are limited only to provide the necessary real estate for its plants (see note 10), and its investment holdings are limited to one investment in a listed equity and one investment in a managed fund (see Note 17.1). Tabreed issued a mandatory convertible bond in 2008 (see Note 26).

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2008 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

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

22 February 2009
Abu Dhabi

National Central Cooling Company PJSC

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 AED '000	2007 AED '000
Revenue	3	**734,801**	564,835
Operating costs		**(415,709)**	(312,063)
GROSS PROFIT		**319,092**	252,772
Administrative and other expenses		**(145,562)**	(116,537)
Finance costs	4	**(81,037)**	(68,697)
Finance income	5	**23,747**	9,544
Other income		**3,727**	2,646
Changes in fair value of derivative liability	26	**(12,200)**	--
Changes in fair value and loss on sale of investments carried at fair value through income statement, net		**(15,122)**	9,358
Share of results of associates	11	**16,901**	12,077
PROFIT FOR THE YEAR	6	**109,546**	101,163
Attributable to:			
Equity holders of the parent		**72,958**	71,907
Minority interests		**36,588**	29,256
		109,546	101,163
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.04**	0.06

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

National Central Cooling Company PJSC

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 AED '000	2007 AED '000
ASSETS			
Non-current assets			
Capital work in progress	9	**2,764,733**	1,123,746
Property, plant and equipment	10	**2,626,587**	2,018,188
Investments in associates	11	**243,232**	193,690
Available for sale investments	17	**58,973**	8,487
Intangible assets	13	**38,562**	38,344
Loan to an associate	15	**42,029**	42,029
		5,774,116	3,424,484
Current assets			
Inventories		**77,338**	34,306
Trade and other receivables	16	**449,279**	314,977
Financial assets carried at fair value through income statement	17	**58,840**	117,390
Contract work in progress	18	**207,563**	179,031
Prepayments		**8,787**	7,774
Bank balances and cash	19	**701,959**	430,262
		1,503,766	1,083,740
TOTAL ASSETS		**7,277,882**	4,508,224
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20	**1,213,380**	1,134,000
Treasury shares	21	**(10,050)**	(10,050)
Statutory reserve	22	**47,433**	36,478
Retained earnings		**72,733**	10,730
Cumulative changes in fair value of derivatives and available for sale investments	22	**(112,189)**	(8,509)
Convertible bond – equity component	26	**1,301,679**	--
Reserve for proposed bonus issue	23	--	79,380
Foreign currency translation reserve		**(664)**	(145)
		2,512,322	1,241,884
Minority interests		**161,766**	132,971
Total equity		**2,674,088**	1,374,855
Non-current liabilities			
Accounts payable and accruals	29	**55,172**	77,444
Interest bearing loans and borrowings	24	**185,465**	1,092,742
Islamic financing arrangements	25	**1,669,209**	1,099,847
Obligations under finance lease	27	**41,272**	44,246
Convertible bond – liability component	26	**256,597**	--
Employees' end of service benefits	28	**17,254**	11,267
		2,224,969	2,325,546
Current liabilities			
Bank overdraft	19	**233,326**	61,626
Accounts payable and accruals	29	**1,458,051**	672,904
Interest bearing loans and borrowings	24	**158,045**	57,595
Islamic financing arrangements	25	**403,576**	8,334
Convertible bond – liability component	26	**118,463**	--
Obligations under finance lease	27	**7,364**	7,364
		2,378,825	807,823
Total liabilities		**4,603,794**	3,133,369
TOTAL EQUITY AND LIABILITIES		**7,277,882**	4,508,224

Khadem Abdulla Al Qubaisi
CHAIRMAN

Karl Marietta
CHIEF EXECUTIVE OFFICER

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

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

		Attributable to equity holders of the parent										
	Notes	Share capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Cumulative changes in fair value of derivatives and available for sale investments AED '000	Convertible bond-equity component AED '000	Reserve for proposed bonus issue AED '000	Foreign currency translation reserve AED '000	Total AED '000	Minority interests AED '000	Total equity AED '000
Balance at 1 January 2007		1,050,000	(10,050)	27,303	27,378	9,500	--	84,000	(374)	1,187,757	121,938	1,309,695
Net movement in fair value of cash flow hedges	22	--	--	--	--	(24,616)	--	--	--	(24,616)	--	(24,616)
Net movement in fair value of available for sale investments	22	--	--	--	--	6,607	--	--	--	6,607		6,607
Exchange difference arising on translation of foreign currency operations		--	--	--	--	--	--	--	229	229	--	229
Total income and (expense) for the year recognised directly in equity		--	--	--	--	(18,009)	--	--	229	(17,780)	--	(17,780)
Profit for the year		--	--	--	71,907	--	--	--	--	71,907	29,256	101,163
Total income and (expense) for the year		--	--	--	71,907	(18,009)	--	--	229	54,127	29,256	83,383
Bonus shares issued		84,000	--	--	--	--	--	(84,000)	--	--	--	--
Transfer to statutory reserve		--	--	9,175	(9,175)	--	--	--	--	--	--	--
Dividends paid to minority interest shareholders		--	--	--	--	--	--	--	--	--	(18,223)	(18,223)
Proposed bonus issue	23	--	--	--	(79,380)	--	--	79,380	--	--	--	--
Balance at 31 December 2007		1,134,000	(10,050)	36,478	10,730	(8,509)	--	79,380	(145)	1,241,884	132,971	1,374,855
Balance at 1 January 2008		1,134,000	(10,050)	36,478	10,730	(8,509)	--	79,380	(145)	1,241,884	132,971	1,374,855
Net movement in fair value of cash flow hedges	22	--	--	--	--	(84,360)	--	--	--	(84,360)	--	(84,360)
Net movement in fair value of available for sale investments	22	--	--	--	--	(19,320)	--	--	--	(19,320)	--	(19,320)
Exchange difference arising on translation of foreign currency operations		--	--	--	--	--	--	--	(519)	(519)	--	(519)
Total expense for the year recognised directly in equity		--	--	--	--	(103,680)	--	--	(519)	(104,199)	--	(104,199)
Profit for the year		--	--	--	72,958	--	--	--	--	72,958	36,588	109,546
Total income and (expense) for the year		--	--	--	72,958	(103,680)	--	--	(519)	(31,241)	36,588	5,347
Bonus shares issued		79,380	--	--	--	--	--	(79,380)	--	--	--	--
Transfer to statutory reserve		--	--	10,955	(10,955)	--	--	--	--	--	--	--
Dividends paid to minority interest shareholders		--	--	--	--	--	--	--	--	--	(21,258)	(21,258)
Share capital injection by minority interest shareholders of subsidiaries		--	--	--	--	--	--	--	--	--	29,414	29,414
Acquisition of minority interest		--	--	--	--	--	--	--	--	--	(15,949)	(15,949)
Convertible bond - equity component	26	--	--	--	--	--	1,301,679	--	--	1,301,679	--	1,301,679
Balance at 31 December 2008		**1,213,380**	**(10,050)**	**47,433**	**72,733**	**(112,189)**	**1,301,679**	--	**(664)**	**2,512,322**	**161,766**	**2,674,088**

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 AED '000	2007 AED '000
OPERATING ACTIVITIES			
Profit for the year		**109,546**	101,163
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	10	**62,121**	43,480
Amortisation of trademarks	13	**3**	3
Net movement in employees' end of service benefits	28	**5,987**	3,042
Share of results of associates		**(13,009)**	(9,574)
Finance income	5	**(23,747)**	(9,544)
Finance costs	4	**81,037**	68,697
Loss on disposal of financial assets carried at fair value through income statement		**60**	--
Changes in fair value relating to financial assets carried at fair value through income statement		**15,062**	(9,358)
Changes in fair value of derivative liability	26	**12,200**	--
Gain on disposal of property, plant and equipment		**(101)**	--
		249,159	187,909
Working capital adjustments:			
Inventories		**(43,032)**	(7,071)
Trade and other receivables and prepayments		**(135,315)**	59,427
Contract work in progress		**(28,532)**	(67,084)
Accounts payable and accruals		**263,500**	135,700
Net cash from operations		**305,780**	308,881
Interest paid		**(113,549)**	(132,539)
Net cash flows from operating activities		**192,231**	176,342
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(83,857)**	(22,831)
Proceeds from sale of property, plant and equipment		**133**	501,803
Investments in associates	11	**(55,933)**	(74,676)
Purchase of intangible assets	13	**(221)**	(13)
Proceeds on disposal of financial assets carried at fair value through income statement		**43,428**	--
Additions to capital work in progress		**(1,745,226)**	(926,258)
Purchase of available for sale investments		**(69,806)**	--
Loan to an associate	15	--	(42,029)
Investment in bank deposits	19	**(226,788)**	--
Acquisition of minority interest		**(15,949)**	--
Interest received	5	**23,747**	9,544
Net cash flows used in investing activities		**(2,130,472)**	(554,460)

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

CONSOLIDATED CASH FLOW STATEMENT continued

Year ended 31 December 2008

	Notes	2008 AED '000	2007 AED '000
FINANCING ACTIVITIES			
Share capital injection by minority interest shareholders of subsidiary		**29,414**	--
Dividends paid to minority interests		**(21,258)**	(18,223)
Interest bearing loans and borrowings received		**228,844**	463,763
Interest bearing loans and borrowings repaid		**(1,045,981)**	(44,262)
Payment for obligations under finance lease		**(2,974)**	(2,706)
Islamic financing arrangement repaid		**(20,969)**	(238,006)
Islamic financing arrangement received		**1,000,000**	--
Proceeds from issue of convertible bond		**1,656,146**	--
Transaction costs on Islamic financing arrangement		**(11,772)**	--
Net cash flows from financing activities		**1,811,450**	160,566
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(126,791)**	(217,552)
Cash and cash equivalents at 1 January		**368,636**	586,188
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**241,845**	368,636

Significant non-cash transactions, which have been excluded from the consolidated cash flow statement are as follows:

	2008 AED '000	2007 AED '000
Fair value adjustment for derivatives of associates	**(19,400)**	--
Adjustment of profit resulting from transactions with associates	**3,892**	2,503
Accounts payable and accruals – fair value adjustment for derivatives	**(64,960)**	(24,616)
Transfer from capital work in progress to property, plant and equipment	**586,695**	756,809
Bonus share issue	**79,380**	84,000
Movement in foreign currency translation reserve	**(519)**	229
Unrealised (loss) gain on available for sale investment	**(19,320)**	6,607
Interest payable	**30,504**	43,400
Accretion expense on convertible bond – capital work in progress	**6,743**	--
Amortisation of transaction cost on convertible bond – capital work in progress	**1,650**	--
Depreciation allocated to capital work in progress	--	(316)
Contractor payable and accrual – capital work in progress	**421,000**	51,340
Finance cost on interest bearing loans and borrowings and Islamic financing arrangements – capital work in progress	**53,063**	72,100
Amortisation of prepaid finance costs	**(7,655)**	(10,419)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2008

1 ACTIVITIES

National Central Cooling Company PJSC ("Tabreed" or the "Company") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Commercial Companies Law No. 8 of 1984 (as amended) and is listed on the Dubai Financial Market. The principal objectives of the Company are to construct, own, assemble, install, operate and maintain cooling and conditioning systems. In addition, the Company's objectives include to distribute and sell chilled water for use in district cooling technologies.

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 22, 2009

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments, share-based payments, financial assets carried at fair value through income statement and available for sale investments. The consolidated financial statements have been presented in United Arab Emirates Dirhams (AED) which is the functional currency of the Company. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

Basis of consolidation

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

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

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

2.2 FUNDAMENTAL ACCOUNTING CONCEPT

At 31 December 2008, the Company's current liabilities exceeded its current assets by AED 875.1 million (2007: current assets exceeded current liabilities by AED 275.9 million). The financial statements have been prepared on a going concern basis as management of the Company supported by the Board of Directors have expressed confidence in generating funds through working capital and/or restructuring its current bank facilities to enable the Company to meet its liabilities as they fall due in the foreseeable future. Subsequent to the year end, the Company has commenced discussions with various financial institutions for the purpose of securing additional and / or restructuring existing loans and borrowings (note 36).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as at 1 January 2008. Adoption of these revised interpretations did not have any effect on the financial performance or position of the Group.

- IFRIC 12 Service Concession Arrangements
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions
- IAS 39 (Amended) Financial Instruments: Recognition and Measurement
- IFRS 7 (Amended) Financial Instruments: Disclosures

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement for which management takes into consideration, amongst other factors, share price volatility and the underlying asset base of the investee companies. The Company has no impairment loss on available for sale investments for the year ended 31 December 2008 (2007: nil).

IFRIC 4 Determining whether an Arrangement contains a Lease
Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

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

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

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually. Impairment testing requires an estimation of the value in use of the cash generating units. Estimating the value in use also requires the Company to make an estimate of the expected future cash flows for any partially connected plants where the full capacity of the related plant is not contracted for and also choose a suitable discount rate in order to calculate the present value of the cash flows. The net carrying amount of property, plant and equipment at 31 December 2008 was AED 2,626.6 million (2007: AED 2,018.1 million) and goodwill at 31 December 2008 was AED 38.5 million (2007: AED 38.3 million) respectively. No impairment provision was recognised during the year ended 31 December 2008 (2007: AED nil).

Recognition of convertible bond liability
Convertible bond liability is recorded at present value of future interest payments discounted at the estimated market interest rate for an equivalent non-convertible bond involving similar risk characteristics as of the bond. At each balance sheet date the convertible liability is adjusted for unwinding of discount resulting in an accretion expense, charged to capital work in progress.

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

At the balance sheet date, gross trade accounts receivable were AED 362.7 million (2007: AED 238.2 million), and the provision for doubtful debts was AED 5.2 million (2007: AED 3.8 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, 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 balance sheet date, gross inventory was AED 77.3 million (2007: AED 34.3 million). No provision has been made for obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated income statement.

Contracting

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Capital work in progress

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

Borrowing costs

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated income statement as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated income statement in the year the asset is derecognised.

Investments in associates

The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its associates. Where there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. Losses on transaction are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Interest in joint venture
The Company has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Company's interest in its joint venture is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

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

Adjustments are made in the Company's financial statements to eliminate the Company's share of unrealized gains and losses on transaction between the Company and its jointly controlled entity. Losses on transaction are recognized immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Company assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

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

Investment and other financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through income statement, loans, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2008

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued
Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

Financial assets are designated at initial recognition as at fair value through income statement if the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy. Financial assets at fair value through income statement are remeasured at fair value at each balance sheet date with all changes in fair value recorded in the consolidated income statement.

Loans
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the consolidated income statement when the loans are derecognised or impaired, as well as through the amortisation process.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Cash and cash equivalents
For the purpose of the consolidated cash flow statement, 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.

Impairment and uncollectibility of financial assets
The Group assesses at each balance sheet 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. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

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

Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Mandatory convertible bond continued
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 share capital and any surplus recognised under share premium.

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

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

Leases
Finance leases, which transfer to the Group substantially all 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 consolidated income statement.

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The fair value of forward currency contracts is calculated by reference to currency forward exchange rates for contracts with similar maturity profiles.

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

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability; or

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

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

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the consolidated income statement.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies
The consolidated financial statements are presented in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency. 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.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

The assets and liabilities of foreign subsidiaries are translated into UAE Dirhams at the rate of exchange ruling at the balance sheet date and the income statement is translated at the average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Financial instruments
Financial instruments comprise financial assets and financial liabilities.

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

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices. The fair value of managed funds is determined by reference to a net asset value assessment conducted by an independent third party.

2.6 FUTURE CHANGES IN ACCOUNTING POLICIES

Standards and interpretations issued but not yet effective and not applied by the Company

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

IFRS 8 Operating segments

IAS 1 Revised Presentation of Financial Statements

IFRS 2 Share Based Payments (Revised)

IAS 23 Borrowing Costs (Revised)

Improvements to IFRSs (2007 Project)

In the opinion of management, the adoption of the above standards and interpretations will have no impact on the financial position or performance of the Group. However, they will give rise to amendments to the presentation of the financial statements and additional or amended disclosures.

3 SEGMENTAL ANALYSIS

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The Group is organised in one geographical segment and consequently, no secondary information is required to be provided. The operating businesses are organised and managed separately according to the nature of the products and services provided with each segment representing a strategic business unit that offers different products and services.

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

The 'chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.

The 'contracting' segment is involved in construction of air conditioning chilled water central stations and networks for new or existing buildings.

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

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

The following tables present revenue and profit and certain other information regarding the Group's business segments.

3 SEGMENTAL ANALYSIS continued

	Services AED '000	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Eliminations AED '000	Total AED '000
2008						
Revenue						
External revenue	**126,786**	**278,069**	**126,321**	**203,625**	--	**734,801**
Inter–segment revenue	**11,974**	**323**	--	**8,189**	**(20,486)**	--
Total revenue	**138,760**	**278,392**	**126,321**	**211,814**	**(20,486)**	**734,801**
Result						
Segment result	**50,098**	**46,191**	**30,013**	**50,955**	--	**177,257**
Finance costs						**(81,037)**
Changes in fair value of derivative liability						**(12,200)**
Finance income						**23,747**
Changes in fair value of investments, net						**(15,122)**
Share of results of associates		**16,901**				**16,901**
Profit for the year						**109,546**
2007						
Revenue						
External revenue	107,430	207,819	103,211	146,375	--	564,835
Inter–segment revenue	13,291	848	--	--	(14,139)	--
Total revenue	120,721	208,667	103,211	146,375	(14,139)	564,835
Result						
Segment result	42,509	36,840	25,387	34,145	--	138,881
Finance costs						(68,697)
Finance income						9,544
Changes in fair value of investments, net						9,358
Share of results of associates		12,077				12,077
Profit for the year						101,163

3 SEGMENTAL ANALYSIS continued

	Services AED '000	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Unallocated AED '000	Total AED '000
2008						
Other information						
Segment assets	**173,575**	**5,754,934**	**347,380**	**188,518**	--	**6,464,407**
Investments in associates	--	**243,232**	--	--	--	**243,232**
Unallocated assets	--	--	--	--	**570,243**	**570,243**
Total assets	**173,575**	**5,998,166**	**347,380**	**188,518**	**570,243**	**7,277,882**
Segment liabilities	**76,062**	**879,893**	**514,101**	**60,421**	--	**1,530,477**
Unallocated liabilities	--	--	--	--	**3,073,317**	**3,073,317**
Total liabilities	**76,062**	**879,893**	**514,101**	**60,421**	**3,073,317**	**4,603,794**
2007						
Other information						
Segment assets	116,691	3,430,491	228,167	113,395	--	3,888,744
Investments in associates	--	193,690	--	--	--	193,690
Unallocated assets	--	--	--	--	425,790	425,790
Total assets	116,691	3,624,181	228,167	113,395	425,790	4,508,224
Segment liabilities	27,114	486,379	233,102	15,020	--	761,615
Unallocated liabilities	--	--	--	--	2,371,754	2,371,754
Total liabilities	27,114	486,379	233,102	15,020	2,371,754	3,133,369

National Central Cooling Company PJSC
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3 SEGMENTAL ANALYSIS continued

	Services AED '000	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Total AED '000
2008					
Capital expenditure:					
Property, plant and equipment	**729**	**82,162**	--	**966**	83,857
Capital work in progress	--	**2,047,602**	--	**15,412**	2,063,014
Intangible asset	--	**221**	--		221
Depreciation	**577**	**57,542**	**334**	**3,668**	62,121
2007					
Capital expenditure:					
Property, plant and equipment	719	20,544	25	1,543	22,831
Capital work in progress	--	1,139,290	--	16,530	1,155,820
Depreciation	535	41,175	334	1,752	43,796

4 FINANCE COSTS

	2008 AED '000	2007 AED '000
Interest bearing loans and borrowings and overdrafts	**21,237**	45,208
Islamic financing arrangements	**56,129**	22,175
Interest element of finance lease	**3,671**	1,314
	81,037	68,697

5 FINANCE INCOME

	2008 AED '000	2007 AED '000
Interest income on loan to an associate (note 15)	**1,045**	463
Interest income on bank deposits	**22,702**	9,081
	23,747	9,544

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2008 AED '000	2007 AED '000
Costs of inventories recognised as an expense	**147,868**	110,656
Staff costs		
Included in operating costs	**31,041**	24,205
Included in administrative and other expenses	**74,840**	59,851
	105,881	84,056

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

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

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

	2008	2007
Profit for the year attributable to ordinary equity holders of the parent for basic and diluted earnings (AED '000)	**72,958**	71,907
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	**1,203,330**	1,203,330
Effect of convertible bond ('000)	**417,699**	--
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bond ('000)	**1,621,029**	1,203,330
Basic and diluted earnings per share (AED)	**0.04**	0.06

The weighted average number of ordinary shares in issue, used in the determination of the basic and diluted earnings per share for the year ended 31 December 2007 has been adjusted for the effect of the bonus share issue in 2008 (note 20).

Basic and diluted earnings per share has been calculated on the basis of maximum number of shares that may be issued for convertible bond (note 26).

8 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 2008 and 2007	
Gulf Energy Systems LLC	UAE	100	100
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100
Emirates Preinsulated Pipes Industries LLC	UAE	60	60
Installation Integrity 2000 LLC	UAE	60	60
CoolTech Energy Water Treatment LLC (formerly BAC Balticare Gulf LLC)	UAE	100	100
Summit District Cooling Company	UAE	100	51
Bahrain District Cooling Company	Bahrain	74	68
Ian Banham and Associates	UAE	70	70
Tabreed Holdings WLL	Bahrain	100	100
Tabreed LLC Oman	Oman	100	100
Tabreed Captive Insurance Company B.S.C.	Bahrain	100	100
Installation Integrity 2006 WLL	Qatar	52	52
Tabreed Oman SAOC	Oman	60	60
Sahara Cooling and Air Conditioning LLC	UAE	51	51

Tabreed acquired a 51% interest in Summit District Cooling Company (SDCC) on 29 May 2004. SDCC commenced its commercial activities thereafter. During the year, the Company has acquired from Sumitomo Corporation their 49% shareholding in SDCC. The Company's accounting policy for such acquisition is based on the parent entity extension method whereby the difference between the consideration and the book value of the share of net assets acquired is recognised as goodwill.

	2008 AED '000
Book value of share of net assets acquired	15,949
Goodwill on acquisition (note 13)	221
Consideration paid	16,170

Tabreed acquired a 55% interest in Bahrain District Cooling Company (BDCC) on 31 October 2004. BDCC commenced its commercial activities thereafter. During the year, Tabreed invested an additional amount of AED 49 million. Tabreed's interest in BDCC as of 31 December 2008 increased to 74%.

Tabreed Oman SAOC was incorporated in the Sultanate of Oman and registered as a limited liability company. During the year, an amount of AED 38.25 million was invested in Tabreed Oman SAOC, representing the Company's share of increase in share capital. Tabreed Oman SAOC has not started commercial activities as at 31 December 2008.

9 CAPITAL WORK IN PROGRESS

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

	2008 AED '000	2007 AED '000
Balance at 1 January	**1,123,746**	674,191
Additions during the year	**2,063,014**	1,155,820
Transfer to property, plant and equipment (note 10)	**(586,695)**	(756,809)
	2,600,065	1,073,202
Advances to contractors	**164,668**	50,544
Balance at 31 December	**2,764,733**	1,123,746

At 31 December 2008, capital work in progress amounting to AED 294 million (2007: AED 214 million) is held as security against interest bearing loans and borrowings (note 24) and AED 324 million (2007: AED 299 million) is held as security against Islamic financing arrangements (note 25). Included in additions to capital work in progress are capitalised financing costs amounting to AED 61.5 million (2007: AED 72.1 million).

10 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
2008						
Cost:						
At 1 January 2008	1,601,719	547,428	8,190	21,850	2,780	2,181,967
Additions	79,843	--	1,169	2,359	486	83,857
Transfer from capital work in progress (note 9)	429,003	157,692	--	--	--	586,695
Disposals	--	--	--	--	(529)	(529)
At 31 December 2008	**2,110,565**	**705,120**	**9,359**	**24,209**	**2,737**	**2,851,990**
Depreciation:						
At 1 January 2008	114,570	30,041	6,022	11,244	1,705	163,582
Charge for the year	48,403	10,819	821	1,803	275	62,121
Relating to disposals	--	--	--	--	(497)	(497)
At 31 December 2008	**162,973**	**40,860**	**6,843**	**13,047**	**1,483**	**225,206**
Net carrying amount at 31 December 2008 before provision for impairment in value	1,947,592	664,260	2,516	11,162	1,254	2,626,784
Provision for impairment	(197)	--	--	--	--	(197)
Net carrying amount: At 31 December 2008	**1,947,395**	**664,260**	**2,516**	**11,162**	**1,254**	**2,626,587**
2007						
Cost:						
At 1 January 2007	1,036,688	340,628	6,793	16,113	2,105	1,402,327
Additions	15,022	--	1,397	5,737	675	22,831
Transfer from capital work in progress (note 9)	550,009	206,800	--	--	--	756,809
At 31 December 2007	1,601,719	547,428	8,190	21,850	2,780	2,181,967
Depreciation:						
At 1 January 2007	80,905	23,547	5,028	8,905	1,401	119,786
Charge for the year	33,665	6,494	994	2,339	304	43,796
At 31 December 2007	114,570	30,041	6,022	11,244	1,705	163,582
Net carrying amount at 31 December 2007 before provision for impairment in value	1,487,149	517,387	2,168	10,606	1,075	2,018,385
Provision for impairment	(197)	--	--	--	--	(197)
Net carrying amount: At 31 December 2007	1,486,952	517,387	2,168	10,606	1,075	2,018,188

10 PROPERTY, PLANT AND EQUIPMENT continued

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

	2008 AED '000	2007 AED '000
Included in operating costs	**56,866**	37,721
Included in administrative and other expenses	**5,255**	5,759
Included in capital work in progress	--	316
	62,121	43,796

At 31 December 2008, the net book value of plants held as security against interest bearing loans and borrowings (note 24), Islamic financing arrangements (note 25) and under sale and leaseback financing arrangements amounted to AED 1,252 million (2007: AED 1,708 million). The plants are constructed on land which has been granted to Tabreed and its subsidiaries at nominal or no cost to them.

Net book value of plants amounting to AED 55.3 million (2007: AED 56.6 million) are held under finance lease. The leased assets are pledged as security for the related finance lease (note 27).

11 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership 2008	Ownership 2007
Industrial City Cooling Company	United Arab Emirates	20%	20%
Qatar Central Cooling Company PJSC	State of Qatar	44%	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	25%	25%
Jordanian Company for Central Energy (PLS)	Jordan	50%	50%
Sahara Cooling Limited	United Arab Emirates	40%	40%

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

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

	2008 AED '000	2007 AED '000
Share of the associates' balance sheets:		
Current assets	**163,247**	172,129
Non-current assets	**720,860**	501,545
Current liabilities	**(77,965)**	(98,317)
Non-current liabilities	**(556,518)**	(379,164)
Net assets	**249,624**	196,193
Share of the associates' revenues and results:		
Revenues	**76,962**	46,409
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 3.8 million (2007: 2.5 million)	**16,901**	12,077
Carrying amount of the investments	**243,232**	193,690

Net assets of associates include the Company's share of fair value of derivatives of associates AED 19.4 million (2007: AED nil). Management believes that the carrying value of the investments will be realised in full.

11 INVESTMENTS IN ASSOCIATES continued

Tabreed invested an amount of AED 55.9 million (2007: AED 74.6 million) representing its share of share capital issued by the associates during the year as follows:

	2008 AED '000	2007 AED '000
Qatar Central Cooling Company PJSC	--	53,628
Tabreed District Cooling Company (Saudi)	24,514	--
Jordanian Company for Central Energy (PLS)	31,419	--
Sahara Cooling Limited	--	21,048
	55,933	74,676

12 INTEREST IN JOINT VENTURE

Tabreed has a 51% equity interest in SNC Lavalin Gulf Contractors LLC, a jointly controlled limited liability company which is involved in engineering, procurement, construction and construction management in the field of District Cooling. As all construction activity relates to the Company, no revenues or expenses of the joint venture for the years ended 31 December 2008 and 2007 are included in the consolidated income statement. The Company's share of the unrealised gain arising from the joint venture's profit for the year amounts to AED 85.5 million (2007: AED 39 million) and is credited against the capital work in progress balance during the year.

Tabreed's share of the assets and liabilities of the joint venture included in the consolidated balance sheet are as follows:

	2008 AED '000	2007 AED '000
Current assets	449,308	214,591
Non-current assets	--	165
	449,308	214,756
Current liabilities	(380,444)	(170,439)
Non-current liabilities	(1,836)	(879)
Total	67,028	43,438

13 INTANGIBLE ASSETS

	Goodwill		Trademarks		Total	
	2008 AED '000	2007 AED '000	2008 AED '000	2007 AED '000	2008 AED '000	2007 AED '000
Balance at 1 January	38,334	38,334	10	--	38,344	38,334
Additions during the year (note 8)	221	--	--	13	221	13
Amortisation for the year	--	--	(3)	(3)	(3)	(3)
Balance at 31 December	38,555	38,334	7	10	38,562	38,344

14 IMPAIRMENT TESTING OF GOODWILL

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

	2008 AED '000	2007 AED '000
Ian Banham & Associates	27,711	27,711
Tabreed 1 District Cooling Plant	9,712	9,712
Other	1,132	911
Total	38,555	38,334

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

- Ian Banham & Associates cash-generating unit relating to goodwill arising from acquisition of equity interest in Ian Banham & Associates; and
- Tabreed 1 District Cooling Plant relating to goodwill arising from acquisition of Gulf Energy Systems.

Ian Banham & Associates

The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections prepared by an external consultant in the year ended 31 December 2004 and updated by the senior management to cover a five-year period ending 31 December 2013. The discount rate applied to the cash flow projections is 25% (2007: 25%). Revenue is earned from projects supervision and study and design contracts. The revenue in the five year cash flow model reflects the expected growth in the real estate sector of the UAE 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. At a discount rate of 25%, assuming no increase in net income from the original cash flow projections prepared by an external consultant in the year ended 31 December 2004, the goodwill would still not be impaired. Consequently, management believes no reasonable change in the revenue, cost and discount rate assumptions would cause the carrying amount of goodwill to exceed its recoverable amount.

Tabreed 1 District Cooling Plant

The recoverable amount of Tabreed 1 District Cooling Plant unit is also determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on signed contract with customer for a period of 20 years. As the useful life of the plant is assessed as 30 years, the Company has used the remaining useful life of the plant of 23 years at the year end in the model based on rates currently agreed with the customer. The management is confident that the current 20 year contract with the customer will be extended for the remaining useful life of the plant. The operating costs mainly represent cost of utilities to operate the plant and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 9.4 %. (2007: 9.4%). A general price inflation level of 5 % (2007: 5%) has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates. Given the headroom in the cash flow projections, management believes no reasonable change in the revenue, cost and discount rate assumptions would cause the carrying amount of goodwill to exceed its recoverable amount.

15 LOAN TO AN ASSOCIATE

During 2007, the Company granted a loan of AED 42 million to Sahara Cooling Limited, an associate company. The loan is unsecured and interest is charged at LIBOR + 0.85%. The amount is not expected to be repaid within twelve months from the balance sheet date.

16 TRADE AND OTHER RECEIVABLES

	2008 AED '000	2007 AED '000
Trade receivables	**357,491**	234,412
Receivable from a related party on disposal of property, plant and equipment	--	23,197
Amounts due from other related parties	**25,600**	30,852
Advances to contractors and employees	**54,133**	17,032
Deposits and other receivables	**12,055**	9,484
	449,279	314,977

As at 31 December 2008, trade receivables at nominal value of AED 5.2 million (2007: AED 3.8 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2008 AED '000	2007 AED '000
At 1 January	**3,771**	3,807
Charge for the year	**5,359**	75
Amounts written off	**(3,901)**	(111)
At 31 December	**5,229**	3,771

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

			Past due but not impaired				
	Total AED '000	Neither past due nor impaired AED '000	< 30 days AED '000	30 – 60 days AED '000	60 – 90 days AED '000	90 – 120 days AED '000	>120 days AED '000
2008	**357,491**	**169,143**	**37,961**	**38,842**	**35,702**	**29,385**	**46,458**
2007	234,412	116,704	29,345	31,164	11,303	7,203	38,693

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 30.

17 INVESTMENTS

17.1 Available for sale investments
Available for sale investments consist of investment in a listed equity with a carrying amount of AED 2.2 million (2007: AED 8.5 million) and investment in a managed fund with a carrying amount of AED 56.7 million (2007: AED nil). These investments are measured at fair value determined by reference to a published price available in an active market. Changes in fair value of these investments are recognised directly in equity (note 22).

17.2 Financial assets carried at fair value through income statement
Financial assets carried at fair value through income statement comprise of investments in several managed funds. These investments are measured at fair value determined by reference to a published price available in an active market. These investments are classified under this category as they are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

Geographical concentration of financial assets carried at fair value through income statement and available for sale investments is as follows:

	2008 AED '000	2007 AED '000
Within UAE	**2,281**	8,487
Outside UAE	**115,532**	117,390
	117,813	125,877

18 CONTRACT WORK IN PROGRESS

	2008 AED '000	2007 AED '000
Cost plus attributable profit	**509,740**	400,631
Less: progress billings	**(302,177)**	(221,600)
	207,563	179,031

19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement include the following consolidated balance sheet amounts:

	2008 AED '000	2007 AED '000
Bank balances and cash	**291,558**	172,378
Bank deposits	**410,401**	257,884
	701,959	430,262
Bank overdraft	**(233,326)**	(61,626)
Bank deposits with original maturities in excess of three months	**(226,788)**	--
	241,845	368,636

Bank deposits attract a fixed rate of interest ranging from 1.14% to 4.85% per annum (2007: 2.5% to 4.5% per annum).

19 CASH AND CASH EQUIVALENTS continued

The bank overdraft facility is secured against corporate guarantee and letter of awareness from the Company and pledge over short term deposits of AED 29.2 million (2007: AED 26.8 million).

Geographical concentration of bank balances and cash and bank deposits, is as follows:

	2008 AED '000	2007 AED '000
Within UAE	**610,284**	321,246
Outside UAE	**91,675**	109,016
	701,959	430,262

20 SHARE CAPITAL

	2008 AED '000	2007 AED '000
Authorised, issued and fully paid up share capital 1,213,380,000 ordinary shares at AED 1 each (31 December 2007: 1,134,000,000 ordinary shares of 1 each)	**1,213,380**	1,134,000

At the Annual General Meeting held in March 2008, the shareholders approved the issue of bonus shares amounting to AED 79.38 million (2007: AED 84 million). The registration of the bonus shares was completed in Company's share register on 23 March 2008.

21 TREASURY SHARES AND SHARE-BASED PAYMENTS

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

No gain or loss is recognised in the consolidated income statement in respect of these treasury shares.

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

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

	No. of shares 2008	 2007
At 1 January	**1,615,990**	1,531,374
Notional units of the Company's ordinary shares granted during the year	**702,540**	557,675
Exercised during the year	**(596,391)**	(473,059)
At 31 December	**1,722,139**	1,615,990

21 TREASURY SHARES AND SHARE-BASED PAYMENTS continued

The weighted average fair value of notional units granted during the year was AED 2.59 (2007: AED 3.37).

The employee incentive scheme liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable (refer below). The carrying amount of liability as at 31 December 2008 was AED 0.9 million (2007: AED 5.5 million).

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

	2008 AED '000	2007 AED '000
Credit / (charge) to administrative and other expenses	**1,119**	(310)
Credit / (charge) to capital work in progress	**1,595**	(40)

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

22 STATUTORY AND OTHER RESERVES

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

Other reserves

	Cumulative changes in fair value of derivatives AED '000	Cumulative changes in available for sale investments AED '000	Total AED '000
Balance at 1 January 2007	9,500	--	9,500
Net movement in fair value of cash flow hedges	(24,616)	--	(24,616)
Net movement in fair value of available for sale investments	--	6,607	6,607
Balance at 31 December 2007	(15,116)	6,607	(8,509)
Net movement in fair value of cash flow hedges	(84,360)	--	(84,360)
Net movement in fair value of available for sale investments	--	(19,320)	(19,320)
Balance at 31 December 2008	**(99,476)**	**(12,713)**	**(112,189)**

Included in the movement in fair value of cash flow hedges is a debit amount of AED 19.4 million (2007: AED nil) relating to the Company's share in the movement in fair value of cash flow hedges in an associate.

23 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The Board of Directors has not proposed a dividend for the year ended 31 December 2008 (2007: Bonus share dividend of AED 0.07 per share amounting to AED 79 million).

No remuneration is proposed for the members of the Board of Directors for the year ended 31 December 2008 (2007: AED nil).

24 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	2008 AED '000	2007 AED '000
Current			
Term loan 1	EIBOR + 1.25%	**125**	250
Term loan 2	LIBOR + 1.25%	--	4,583
Term loan 3	EIBOR + 0.90%	**3,000**	2,389
Term loan 4	LIBOR + 1.3% to 2%	**4,427**	2,742
Term loan 5	EIBOR + 1.65%	--	47,631
Term loan 6	LIBOR + 0.45%	**91,500**	--
Term loan 7	3.03%	**29,237**	--
Term loan 8	EIBOR + 0.75%	**29,756**	--
		158,045	57,595
Non-current			
Term loan 1	EIBOR + 1.25%	--	125
Term loan 2	LIBOR + 1.25%	--	67,210
Term loan 3	EIBOR + 0.90%	**9,000**	9,558
Term loan 4	LIBOR + 1.3% to 2%	**176,465**	134,348
Term loan 5	EIBOR + 1.65%	--	514,416
Term loan 9	LIBOR + 0.45%	--	367,085
		185,465	1,092,742

The above interest bearing loans and borrowings are secured by pledges over certain plants (note 10) and capital work in progress (note 9) and a corporate guarantee.

25 ISLAMIC FINANCING ARRANGEMENTS

	Profit charge %	2008 AED '000	2007 AED '000
Current			
Islamic financing arrangement 1	5.50%	**367,077**	--
Islamic financing arrangement 2	EIBOR + 1.2%	**28,154**	--
Islamic financing arrangement 3	11.7%	**8,345**	8,334
		403,576	8,334
Non-current			
Islamic financing arrangement 1	5.50%	--	364,366
Islamic financing arrangement 2	EIBOR + 1.2%	**941,826**	--
Islamic financing arrangement 3	11.7%	--	7,308
Islamic financing arrangement 4	LIBOR + 1.25%	**727,383**	728,173
		1,669,209	1,099,847

The Islamic financing arrangements are secured by an assignation of the plants purchased under the Islamic financing arrangement and a joint credit and Islamic loan facility agreement.

26 CONVERTIBLE BOND

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

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

The liability component of the bond of AED 346.4 million represents present value of annual coupon payments due at the rate of 7.25%, payable in arrears annually. The present value has been calculated using a market interest rate for a bond with similar characteristics, but without the condition of mandatory conversion into ordinary shares of the Company at the redemption date. Also included in the liability component of mandatory convertible bond is fair value of a derivative liability of AED 17.3 million (on inception), representing the element of variation in the number of shares that will be issued at the conversion date, based on the market price of Company's shares. Total liability in the consolidated balance sheet has been presented, net of allocated transaction costs of AED 9.2 million.

The remainder of the proceeds have been allocated to an equity component, recognised and included in shareholders' equity amounting to AED 1,302 million, net of allocated transaction costs of AED 34.6 million.

A reconciliation between the amounts presented in the consolidated balance sheet is as follows:

	Convertible bond - liability component AED '000	Convertible bond - equity component AED '000	Total AED '000
Present value of annual coupon payments	346,378	--	346,378
Fair value of derivative liability	17,300	--	17,300
Equity component	--	1,336,322	1,336,322
Allocated prepaid transaction costs	(9,211)	(34,643)	(43,854)
On inception	354,467	1,301,679	1,656,146
Changes in fair value of derivative liability	12,200	--	12,200
Accretion expense – capital work in progress (note 9)	6,743	--	6,743
Amortisation of transaction costs – capital work in progress (note 9)	1,650	--	1,650
Balance at 31 December 2008	**375,060**	**1,301,679**	**1,676,739**

	Convertible bond liability component AED '000
Analysed on the consolidated balance sheet as follows:	
Less than one year	118,463
More than one year	256,597
	375,060

27 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 10) 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:

	2008		2007	
	Minimum lease payments AED '000	**Present value of payments AED '000**	Minimum lease payments AED '000	Present value of payments AED '000
Within one year	**7,749**	**7,364**	7,749	7,364
After one year but not more than five years	**30,994**	**23,384**	30,994	23,384
After five years	**35,514**	**17,888**	43,262	20,862
	74,257	**48,636**	82,005	51,610
Less: amounts representing finance charges	**(25,621)**	--	(30,395)	--
Present value of minimum lease payments	**48,636**	**48,636**	51,610	51,610

The lease is classified in the consolidated balance sheet as follows:

	2008 AED '000	2007 AED '000
Current	**7,364**	7,364
Non-current	**41,272**	44,246
	48,636	51,610

28 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 balance sheet are as follows:

	2008 AED '000	2007 AED '000
Balance at 1 January	**11,267**	8,225
Net movement during the year	**5,987**	3,042
Balance at 31 December	**17,254**	11,267

29 ACCOUNTS PAYABLE AND ACCRUALS

	2008 AED '000	2007 AED '000
Amounts due in more than one year		
Retentions payable	**30,831**	52,496
Deferred income	**24,341**	24,948
	55,172	77,444
Amounts due in less than one year		
Accounts payable	**521,063**	160,767
Retentions payable	**111,862**	31,418
Deferred income	**898**	1,239
Due to related parties - associates	**25,978**	57,687
Due to a related party – joint venture	**174,971**	72,995
Accrued expenses	**478,757**	288,011
Other payables	**144,522**	60,787
	1,458,051	672,904

Terms and conditions of the above financial liabilities:

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

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

For terms and conditions relating to related parties, refer to note 30.

30 RELATED PARTY TRANSACTIONS

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

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

	2008			2007		
	Other expenses AED '000	Revenue AED '000	Interest income AED '000	Other expenses AED '000	Revenue AED '000	Interest income AED '000
Associated companies	**75,746**	**8,465**	**1,045**	70,006	6,290	463

Balances with related parties included in the consolidated balance sheet are as follows:

	2008			2007		
	Loan receivable AED '000	**Other receivables AED '000**	**Other payables AED '000**	Loan receivable AED '000	Other receivables AED '000	Other payables AED '000
Associated companies	**42,029**	**15,535**	**25,978**	42,029	44,926	57,687
Joint venture	--	--	**174,971**	--	--	72,995
Other related parties	--	**10,065**	--	--	9,123	--
	42,029	**25,600**	**200,949**	42,029	54,049	130,682

30 RELATED PARTY TRANSACTIONS continued

Terms and conditions of transactions with related parties
Transactions with related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free, except for loan to an associate (note 15), and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2008, the Group recorded an impairment of AED 1.2 million relating to amounts owed by related parties (2007: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

	2008 AED '000	2007 AED '000
Short-term benefits	**39,895**	36,062
Employees' end of service benefits	**1,596**	1,909
	41,491	37,971
Number of key management personnel	**47**	49

31 CONTINGENCIES

The bankers have issued guarantees on behalf of the Company and its subsidiaries as follows:

	2008 AED '000	2007 AED '000
Performance guarantees	**45,686**	28,695
Advance payment guarantees	**12,776**	70
Financial guarantees	**45,137**	3,922
	103,599	32,687

The Company's share of contingencies of the joint venture as of 31 December 2008 impacting the income statement amounted to AED 0.4 million (2007: AED 0.4 million).

The Company's share of contingencies of the associates as of 31 December 2008 impacting the income statement amounted to AED 1.1 million (2007: AED 1.1 million).

32 CAPITAL COMMITMENTS

Capital commitments
The Board of Directors has authorised future capital expenditure amounting to AED 1,449 million (2007: AED 2,962 million). Included in this amount is AED 1,435 million (2007: AED 2,041 million) which is expected to be incurred within one year from the balance sheet date.

The Group also had commitments of AED 831 million (2007: AED 1,105 million) in relation to the Group's interest in the joint venture investments.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, Islamic financing arrangements, obligations under finance lease, bank overdraft, convertible bond – liability component and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations and construction activity. The Group has various financial assets such as trade receivables, financial assets carried at fair value through income statement, available for sale investments and cash and short-term deposits, which arise directly from its operations.

The Company enters into derivative transactions to manage the interest rate risk arising from the Company's sources of finance. The Company's joint venture enters into forward foreign exchange contracts to manage the foreign currency fluctuations relating to commitments to purchase equipment for various contracts from Euro suppliers and settle inter-company transactions in Canadian Dollars ("CAD").

It is, and has been throughout 2008 and 2007 the Group's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk, market price risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this risk, 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 2008, after taking into account the effect of interest rate swaps, approximately 79% of the Group's borrowings are at a fixed rate of interest (2007: 65%).

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 relating to un-hedged portion of floating rate borrowings and bank deposits.

	Effect on profit AED '000
2008	
+100 increase in basis points	**(1,844)**
-100 decrease in basis points	**1,844**
2007	
+100 increase in basis points	(5,880)
-100 decrease in basis points	5,880

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.

Credit risk
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 with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 16. The Group's three largest customers account for approximately 26% of outstanding trade receivable balance at 31 December 2008 (2007: 3 customers - 39%).

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, 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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its financial assets carried at fair value through income statement and available for sale investments.

The Company limits market price risk by actively monitoring the key factors that affect the market movements, including analysis of the operational and financial performance of investees.

The following table demonstrates the sensitivity to a reasonably possible change in the market price of financial assets carried at fair value through income statement, on the Group's profit for one year. The effect of decrease in market price is expected to be equal and opposite to the effect of increase shown.

	Change in net asset value	31 December 2008 Impact on profit AED '000	31 December 2007 Impact on profit AED '000
Financial assets carried at fair value through income statement	5%	**2,942**	5,870

The following table demonstrates the sensitivity to a reasonably possible change in the market price of available for sale investment, on the Group's equity.

	Change in net asset value	31 December 2008 Impact on equity AED '000	31 December 2007 Impact on equity AED '000
Available for sale investments	5%	**2,949**	424

Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Company's policy is that not more than 20% of borrowings should mature in the next 12 month period. 30 % of the Company's debt will mature in less than one year at 31 December 2008 (2007: 6%) based on the carrying value of borrowings reflected in the consolidated financial statements. At 31 December 2008, the Company has no unutilised interest bearing loans and borrowings facilities (2007: AED 13 million).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2008 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 2008						
Derivative financial instruments	--	--	**486**	**44,602**	**38,892**	**83,980**
Convertible bond – liability component	--	--	**123,250**	**276,000**	--	**399,250**
Interest bearing loans and borrowings	--	**133,073**	**31,961**	**55,307**	**169,389**	**389,730**
Obligations under finance leases	--	**1,937**	**5,812**	**30,994**	**35,514**	**74,257**
Islamic financing arrangements	--	**395,625**	**104,424**	**1,203,234**	**942,208**	**2,645,491**
Accounts payable and other financial liabilities	--	**306,162**	**588,254**	**30,831**	--	**925,247**
Bank overdraft	**233,326**	--	--	--	--	**233,326**
	233,326	**836,797**	**854,187**	**1,640,968**	**1,186,003**	**4,751,281**

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Liquidity risk continued

	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 2007						
Derivative financial instruments	--	--	--	13,139	9,395	22,534
Interest bearing loans and borrowings	--	2,094	126,561	867,337	492,080	1,488,072
Obligations under finance leases	--	1,937	5,812	30,994	43,262	82,005
Islamic financing arrangements	--	3,840	62,457	1,264,443	--	1,330,740
Accounts payable and other financial liabilities	--	379,344	29,412	52,496	--	461,252
Bank overdraft	61,626	--	--	--	--	61,626
	61,626	387,215	224,242	2,228,409	544,737	3,446,229

Foreign currency risk

The Company's joint venture has transactional currency exposures mainly in Euro and Canadian Dollars. Such exposures arise from anticipated purchases for various contracts from Euro suppliers and expected inter company transactions in Canadian Dollars.

The joint venture uses derivative hedging instruments such as forward foreign exchange contracts and non-derivative hedging instruments such as designated bank balances to hedge against firm commitments of equipment purchases for various contracts from Euro suppliers and expected inter company transactions in Canadian Dollars.

As the foreign currency commitments in Euro and Canadian Dollars are covered by effective hedges, management is of the opinion that there is no sensitivity as a result of changes in Euro and Canadian Dollar exchange rates.

Other than the above, the majority of the Group's transactions and balances are in either UAE Dirhams or US Dollars. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 50% and 70%. The Company includes within net debt, interest bearing loans and borrowings, Islamic financing arrangements, convertible bond – liability component, obligations under finance lease, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the net unrealised gains reserve.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management continued

	2008 AED '000	2007 AED '000
Interest bearing loans and borrowings	**343,510**	1,150,337
Islamic financing arrangements	**2,072,785**	1,108,181
Convertible bond – liability component	**375,060**	--
Obligation under finance lease	**48,636**	51,610
	2,839,991	2,310,128
Less: cash and cash equivalents	**(468,633)**	(368,636)
Net debt	**2,371,358**	1,941,492
Equity	**2,512,322**	1,241,884
Net unrealised losses	**112,189**	8,509
Total capital	**2,624,511**	1,250,393
Capital and net debt	**4,995,869**	3,191,885
Gearing ratio	**47%**	61%

34 FINANCIAL INSTRUMENTS

Fair values

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

	Fair value		Fair value	
	2008 AED '000	2007 AED '000	**2008 AED '000**	2007 AED '000
Obligations under finance lease	**48,636**	51,610	**52,004**	55,282
Islamic financing arrangements	**375,422**	380,008	**390,975**	406,844
Convertible bond – liability component	**375,060**	--	**332,830**	--

The fair value of fixed rate borrowings has been calculated by discounting the expected future cash flows at market interest rates.

Hedging activities

Cash flow hedges

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

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

34 FINANCIAL INSTRUMENTS continued

Hedging activities continued

A schedule indicating as at 31 December the periods when the hedged cash flows are expected to occur and when they are expected to effect the consolidated income statement is as follows:

	Within 1 year AED '000	1–3 years AED '000	3–8 years AED '000	Over 8 years AED '000	Total AED '000
2008:					
Cash inflows (assets)	--	1,864	2,040	--	3,904
Cash outflows (liabilities)	--	(43,607)	(40,373)	--	(83,980)
Net cash inflow (outflow)	--	(41,743)	(38,333)	--	(80,076)
2007:					
Cash inflows (assets)	--	110	7,308	--	7,418
Cash outflows (liabilities)	--	--	(22,534)	--	(22,534)
Net cash inflow (outflow)	--	110	(15,226)	--	(15,116)

No gain on cash flow hedges has been reclassified to the consolidated income statement during the year (2007: AED 270 thousand).

All derivative contracts are with counterparty banks in UAE.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivatives underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	2008			2007		
Derivatives held as cash flow hedges	**Assets AED '000**	**Liabilities AED '000**	**Notional amount AED '000**	Assets AED '000	Liabilities AED '000	Notional amount AED '000
Interest rate swaps and interest rate swaps with a cap	**3,904**	**83,980**	**1,718,352**	7,418	22,534	1,500,806

Fair value hedges

The Company's joint venture has forward foreign exchange contracts outstanding designated as a fair value hedge to hedge the risk associated with foreign currency fluctuations relating to commitments to purchase equipment for various contracts from Euro suppliers and settle inter-company transactions in Canadian Dollars.

The Company's share of outstanding forward foreign exchange commitments of the joint venture at the year end amounted to approximately AED 29.1 million (2007: AED 86.2 million). The terms of the forward foreign exchange contracts match the terms of the commitments. The Company's share of the positive changes in fair value of the forward foreign exchange contracts amounting to AED 0.5 million (2007: AED 4 million) have been recognised within other receivables.

35 COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the current year presentation. Such reclassifications which have no effect on the profit or equity of the Group are analysed as follows:

- Management service income and property maintenance income of AED 15,535 thousand previously shown under other income are now reflected as part of revenue in the consolidated income statement.

- Salaries and staff related costs amounting to AED 59,851 thousand previously shown separately on the face of the consolidated income statement are now included under administrative and other expenses.

- Finance income amounting to AED 9,544 thousand previously disclosed under other income is now reflected separately on the face of the consolidated income statement.

- Changes in fair value of investments carried at fair value through income statement amounting to AED 9,358 thousand previously shown under other income is now reflected separately on the face of the consolidated income statement.

36 POST BALANCE SHEET EVENTS

Subsequent to the year end, the Company is in advanced discussions with various financial institutions for the purpose of securing additional and / or restructuring existing loans and borrowings.

Notes