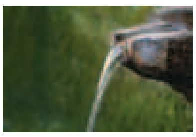
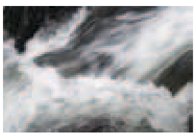
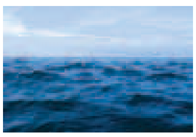
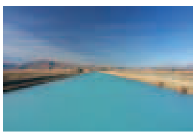

Annual Report 2011

H.H. Sheikh Khalifa Bin Zayed Al Nahyan
President of the UAE

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

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

Water is at the core of our business. We produce and supply chilled water to facilitate energy efficient and cost effective cooling solutions

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2011 Key Achievements

Group revenue up by 9% to AED 1,114.6 million

Successfully completed the recapitalization program on 1st April 2011

Settled 06 Sukuk in full upon maturity

Net profit attributable to parent up by 34% to AED 182.7 million

Chilled water operating profit increased by 37% to AED 274.4 million

11 new plants came online

45,800 RT capacity added – an 8% increase from 2010

78,115 RT new connections achieved – a 16% increase from 2010

Tabreed delivered a strong financial and operational performance in 2011

"Disciplined growth has been our mantra over the past year, and we will continue to abide by this philosophy going forward"

Chairman's Message

In many respects, 2011 was a transformational year for Tabreed. It was a year that saw us reap the benefits of the decisive action undertaken by the board during the preceding year to turn the company's performance around and set it on a solid foundation.

On 1 April 2011, we successfully brought to a close the recapitalization program, which had commenced in March 2010. The recapitalization was a vital ingredient of our 2011 success story: It provided long-term funding to support the completion of our contracted build-out program; it restructured our debt with longer tenor and lower cost; and it brought financial stability to the company. These factors have paved the way for our positive performance in 2011.

Disciplined growth has been our mantra over the past year, and we will continue to abide by this philosophy going forward. We are aware that the years ahead will hold many challenges as we seek to grow the business while cautiously navigating the current global economic environment. Nevertheless, I can assure you that we are intensely focused on ensuring that Tabreed fulfills its promise of remaining a world-class district cooling company that delivers consistent value to all its stakeholders.

With a solid 2011 performance behind us, I believe we are well on our way to achieving that goal. Today, the company is well funded and has established a sustainable and recurring revenue stream. With our build-out program substantially complete, we can now move forward with confidence and optimism.

As Tabreed has evolved and continued to grow, the support of our stakeholders has been of paramount importance, and I would like to personally thank them for their belief in the company and in its ability to deliver long-term value. I would also like to thank our employees for their continued hard work and dedication. Their contributions have been the cornerstone of our success.

Waleed Al Mokarrab Al Muhairi
Chairman

"The hallmarks of our robust performance have been sustainability, delivery and focus"

Chief Executive Officer's Message

2011 was a defining year for Tabreed. Buoyed by a stable capital structure and long-term funding as a result of the completion of the recapitalization program, the company delivered one of its strongest financial and operational performances in years.

Group revenue increased by 9% to AED 1,114.6 million, with revenue from our core chilled water business similarly increasing by 25% to AED 943.8 million. Net profit also saw a marked improvement from last year with an increase of 34% to AED 182.7 million, with chilled water operating profit also increasing by 37% to AED 274.4 million.

The hallmarks of our robust performance have been sustainability, delivery and focus. With a strong balance sheet, available funds to complete our contracted build-out program, and long-term stable contracts, Tabreed has been transformed into a healthy and agile organization with a sustainable revenue stream. The company is now better positioned to maintain its momentum going forward and capitalize on any future opportunities that may arise, either locally or regionally.

Just as importantly, we maintained our focus on growing our core chilled water business, the main driver of our strong performance, while phasing out our value-chain businesses. As a result, chilled water contribution to our 2011 revenue has now reached 85%, an increase of 11% from the previous year.

Although we are encouraged by our performance to-date, we are nevertheless cognizant of the fact that challenges remain. The uncertain global economic environment means that we will need to be extra vigilant in how we expand our business and in the investments we make. Yet, in spite of the challenges that lie ahead, we have the foundations in place for future growth, and I strongly believe that Tabreed will continue its robust performance in the years to come.

Finally, the contributions of our employees have been truly admirable and they deserve special recognition. Their unyielding commitment to the company underscored our positive performance, and gives me every confidence that we will continue to perform well in the future.

Sujit S. Parhar
Chief Executive Officer

Board of Directors

Waleed Al Mokarrab Al Muhairi
Chairman

Mr. Al Muhairi is Mubadala Development Company's Chief Operating Officer, and is a member of Mubadala's Investment Committee. He also currently serves as Chairman of the Board of Directors of Yahsat, Mubadala Infrastructure Partners, the Advanced Technology Investment Company, and Cleveland Clinic Abu Dhabi. He is Vice Chairman of Piaggio Aero Industries and is a Director of AMD, Al Maabar, du, GLOBALFOUNDRIES and the Abu Dhabi Future Energy Company (Masdar). Mr. Al Muhairi holds a Masters from Harvard University, and a Bachelor of Science in Foreign Service from Georgetown University, USA.

Khaled Abdulla Al Qubaisi
Board Member and Managing Director

Mr. Al Qubaisi is Chairman of the National Health Insurance Company (DAMAN). He also sits on the board of numerous organizations including Mubadala Pramerica Real Estate Investors, Mubadala GE Capital, Manazel Real Estate Company, Finance House, Abu Dhabi Motorsports Management, and Health Authority Abu Dhabi. He also holds the position of Executive Director of Human Resources at Mubadala Development Company. Mr. Al Qubaisi has a Bachelor of Arts in Finance and Operations Management from Boston University, and a Masters of Science from George Washington University, USA.

Ahmed Yahia Al Idrissi
Board Member

Mr. Al Idrissi is the Executive Director of the Mubadala Industry business unit. Prior to joining Mubadala, Mr. Al Idrissi was a partner at McKinsey & Co., where he led the Abu Dhabi and Principal Investor practices. His other board positions include: Director of EMAL, Guinea Alumina Corporation Ltd, Azaliya SAS, SMN Barka Power Company SAOC and Al Rusail Power Company. Mr. Al Idrissi holds a Bachelor of Science in Industrial Engineering from the Ecole Centrale Paris, and a Masters of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA.

Ali Saeed Al Badi
Board Member

Mr. Al Badi is the current Managing Director and Board Member of Abu Dhabi Ports Company (ADPC), the master developer and regulator of ports and industrial zones in Abu Dhabi. In addition to holding various senior management positions, Mr. Al Badi has also spent 22 years with Abu Dhabi National Oil Company (ADNOC) Group, and served as Chairman as well as Board Member of several ADNOC companies. During 1987 - 1998, Mr. Al Badi held a position in OPEC as UAE National Representative. He has a Bachelor Degree in Decision Science (Business) from Indiana University, USA.

Ibrahim Ahmed Al Ansaari
Board Member

Mr. Al Ansaari was appointed General Manager of Dolphin Energy Limited (UAE) in October 2007. Prior to joining Dolphin Energy in October 2003 as Vice President – Projects, Mr. Al Ansaari was General Manager of Union Water & Electricity Company, now incorporated within ADWEA. Mr. Al Ansaari also worked for Abu Dhabi National Oil Company (ADNOC) for 18 years, and is a Board Member of Emirates Aluminium. He graduated from Louisiana Technical University, USA, with a Bachelor of Science in Electrical Engineering.

Abdul Raouf Al Bitar
Board Member

Mr. Al Bitar is the CEO and a shareholder in Al Manhal-Nestlé Waters Group of Factories, and is Chairman of Middle East Specialized Cables in Amman, Jordan. He also sits on the board of a number of companies including: ACWA Power Development Company; Al Manhal Water Factory - Qatar and Bahrain; Nestlé Waters H&O - UAE; Spring Beverage Factory - Riyadh (KSA); Middle East Molds and Plastic Factory - Riyadh (KSA); and Gulf Insulation Group - Riyadh (KSA). Mr. Al Bitar holds a Bachelor of Science in Civil Engineering from Syracuse University, USA.

Khaled Saleh Al Rashedi
Board Member

Mr. Al Rashedi is a Senior Advisor in the Industry business unit in Mubadala Development Company. He is also a Board Member of Turbine Services & Solutions and has held several senior positions in key government projects in Abu Dhabi. Mr. Al Rashedi holds a Bachelor of Business Administration with a concentration in Finance and Marketing from the University of Colorado, USA.

With nearly 15 years of regional industry experience, Tabreed has successfully designed and deployed pioneering district cooling technology

Tabreed Overview

National Central Cooling Company PJSC (Tabreed) is a leading district cooling company providing sustainable, energy efficient and innovative cooling solutions to government, commercial, residential and private organizations in the GCC.

As the partner of choice for major infrastructure projects in the region, Tabreed develops custom-built cooling solutions that meet the unique requirements of its customers. Some of Tabreed's high profile projects include the Dubai Metro, Abu Dhabi's Yas Island, Sheikh Zayed Grand Mosque and The Pearl – Qatar.

Through its infrastructure network, Tabreed supplies its customers with chilled water which is then used for air conditioning. The company designs, builds and operates district cooling plants specifically commissioned for certain projects or converts existing projects from traditional cooling systems to district cooling.

Established in 1998, Tabreed's portfolio now includes 58 plants across the United Arab Emirates - 51 wholly-owned and operated by the company and seven operated through its affiliates. Tabreed also has a number of projects in Bahrain, Oman, Qatar and Saudi Arabia.

With nearly 15 years of regional industry experience, Tabreed has successfully designed and deployed pioneering district cooling technology that has enabled it to deliver energy efficient, cost effective, and environmentally friendlier cooling solutions that support the growth of regional economies.

Tabreed is listed on the Dubai Financial Market under the symbol of "Tabreed." As of 31 December 2011, shareholders who owned 5% or more of Tabreed's share capital were: Arabian Company for Water and Power Development (16.24%), Mubadala Development Company (14.81%), and General Investments FZE (12.42%).

Affiliates and Subsidiaries

Through its affiliates and subsidiaries, Tabreed is engaged in a range of activities in its core chilled water business as well as value chain businesses.

Select Overview: Core Business - Chilled Water

Qatar District Cooling Company QCSC

Qatar District Cooling Company (Qatar Cool) is a private sector joint venture company owned by United Development Company, Tabreed and other private Qatari investors. In 2010, Qatar Cool inaugurated the Integrated District Cooling Plant on The Pearl – Qatar, the largest district cooling plant in the world, with a capacity of up to 130,000 RT.

Bahrain District Cooling Company BSC

Bahrain District Cooling Company BSC (Tabreed Bahrain) is a private sector joint venture company majority owned by Tabreed and with Esterad and A.A. Bin Hindi as joint owners. The company currently operates a district cooling plant that runs using sea water and provides cooling services to some of the most prestigious developments in Bahrain.

Saudi District Cooling Company

Saudi district cooling company (Saudi Tabreed) is a closed joint stock company established in Saudi Arabia. The major partners are ACWA Power, RASD International and Tabreed.

Tabreed Oman SAOC

Established in 2008, Tabreed Oman SAOC, an Omani closed joint stock company, is a joint venture between Tabreed and a group of Omani shareholders comprising the Ministry of Defense Pension Fund, the Diwan of Royal Court Pension Fund, the ISS Pension Fund, PMA International Ltd and Private Projects Development Co. LLC.

S&T Cool District Cooling Company LLC

Established in 2008, S&T Cool District Cooling Company LLC (S&T Cool) is a joint venture between Tabreed and Sorouh Real Estate PJSC. S&T Cool currently supplies chilled water to Shams Abu Dhabi on Al Reem Island.

Industrial City Cooling Company LLC

Established in 2004, Industrial City Cooling Company (ICCC) is a joint venture between Tabreed, Abu Dhabi Investment Company, and Waha Capital PJSC. ICCC currently owns and operates two district cooling plants in the Mussaffah area of Abu Dhabi, supplying chilled water to Zonescorp's developments in the area.

Select Overview: Value Chain Businesses

Gulf Energy System Company LLC

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

SNC Lavalin Gulf Contractors LLC

Established in 2004, SNC Lavalin Gulf Contractors LLC (SLGC) is a joint venture between Tabreed and SNC Lavalin International, one of the leading groups of engineering and construction companies in the world.

Emirates Pre-insulated Pipes Industries LLC

Established in 2000, Emirates Pre-insulated Pipes Industries (EPPI) specializes in the engineering and manufacturing of thermally pre-insulated piping systems for district cooling and heating schemes.

Ian Banham & Associates

Ian Banham & Associates (IBA) provides professional, mechanical and electrical engineering services to clients throughout the GCC. IBA has offices in Abu Dhabi, Dubai, Sharjah, Bahrain and Qatar.

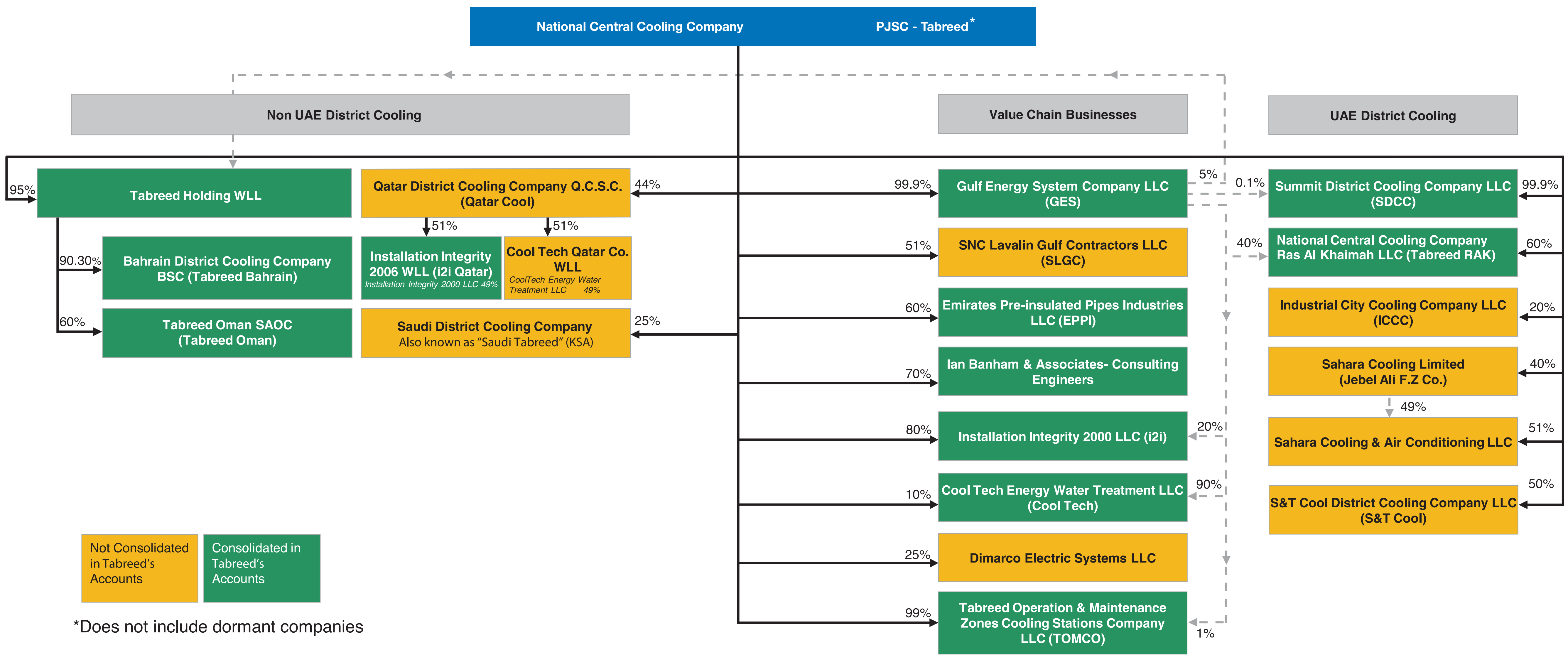
CoolTech Energy Water Treatment LLC

CoolTech Energy Water Treatment LLC (CoolTech) specializes in providing a complete range of water quality and mechanical services that enables cooling services companies to maintain the operational efficiency and optimize the longevity of their equipment in a safe and environmentally-friendly manner.

Dimarco Electric Systems LLC

Established in late 2006, Dimarco Electric Systems LLC (Dimarco) is the first company in the UAE to focus on providing metering and billing services for district cooling chilled water usage. Dimarco works with developers to enable remote reading of meters in domestic applications for district cooling, water, gas, and electricity.

Corporate Structure Chart



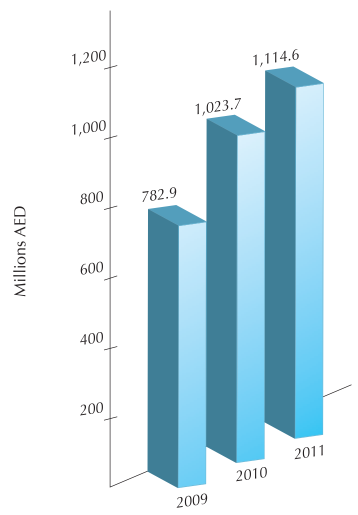
*Does not include dormant companies

Historical
Highlights: 2009 - 2011

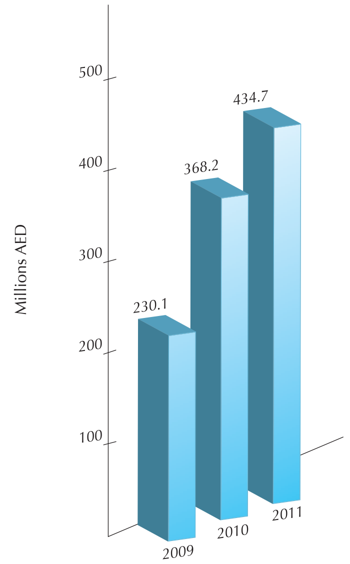
Our strong performance in 2011 builds upon the achievements of the preceding years and firmly establishes Tabreed as a pioneering district cooling company and a vital infrastructure partner to regional institutions and organizations.

Over this period, we have maintained our focus on creating value for our stakeholders by building a stable utility business that delivers sustainable, recurring revenues. The steady improvements in our key metrics are a testament to the strength of our underlying business and positive future outlook.

The steady improvements in our key metrics are a testament to the strength of our underlying business and positive future outlook



Group Revenue

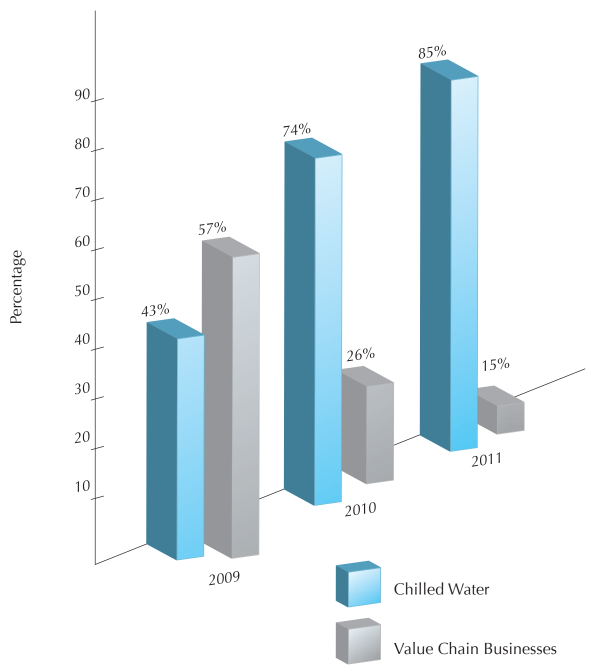


Group EBITDA

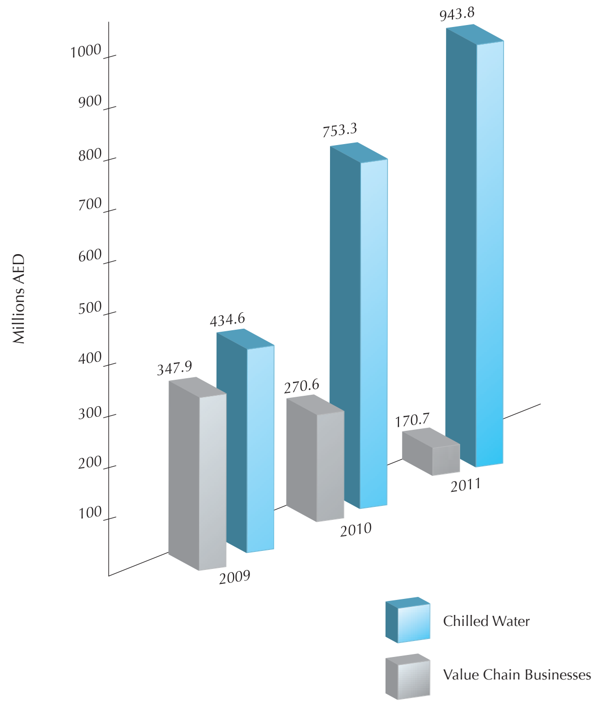
Our strategy over the years has been to continue to grow our core chilled water business while phasing out our value chain businesses. Our strong financial results for 2011 bear witness to the success of this strategy.

Today, chilled water contributes 85% to our revenue, as compared to 43% in 2009. Similarly, profit from this segment reached AED 274.4 million in 2011, an increase of AED 211.9 million from 2009.

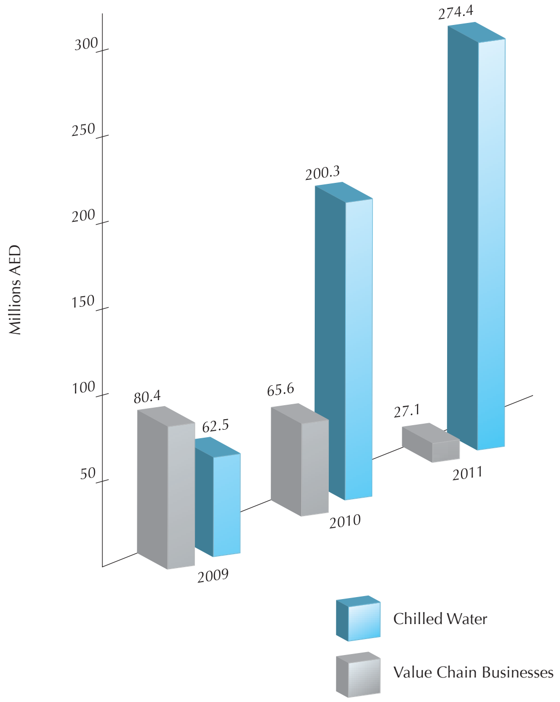
Driven by the substantial completion of our contracted build-out program, our value chain businesses are now becoming less significant than in the past – a pattern we expect to maintain in the years ahead.



Contribution to Revenue:
Chilled Water Vs. Value Chain Businesses



Revenue:
Chilled Water Vs. Value Chain Businesses

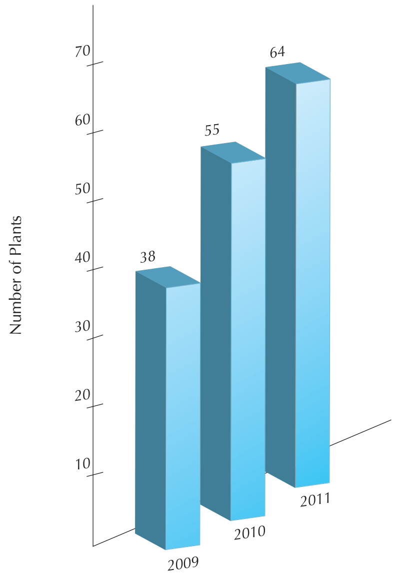


Operating Profit:
Chilled Water Vs. Value Chain Businesses

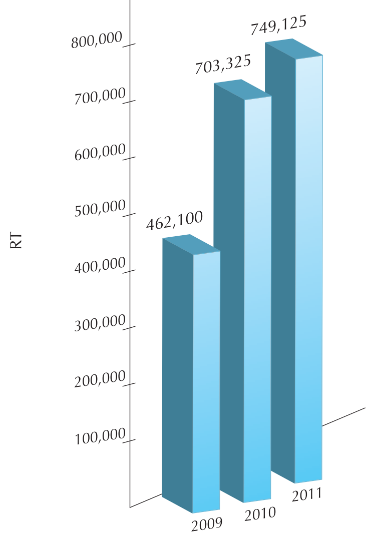
Since 2009, we have continued to deliver on our build-out program, increasing the group's number of plants from 38 in 2009 to 64 in 2011. In the UAE, we completed a total of 11 plants in 2011 – eight for the Dubai Metro Green Line.

These new plants, coupled with new connections and capacity added, have significantly increased our company's installed capacity – both in the UAE and the across the GCC.

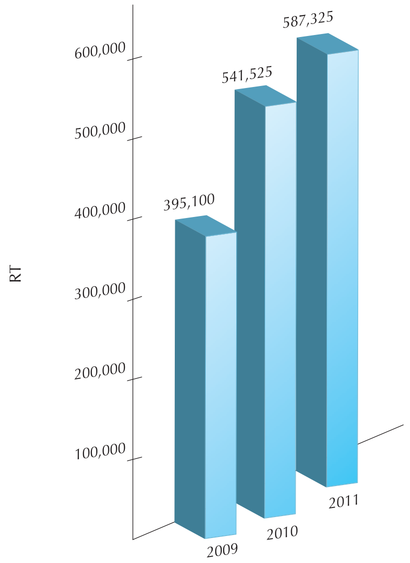
In the UAE, our installed capacity has reached 587,325 RT, up from 395,100 RT in 2009. Across the GCC, the group's installed capacity now stands at 749,125 RT, an increase of 287,025 RT from 2009.



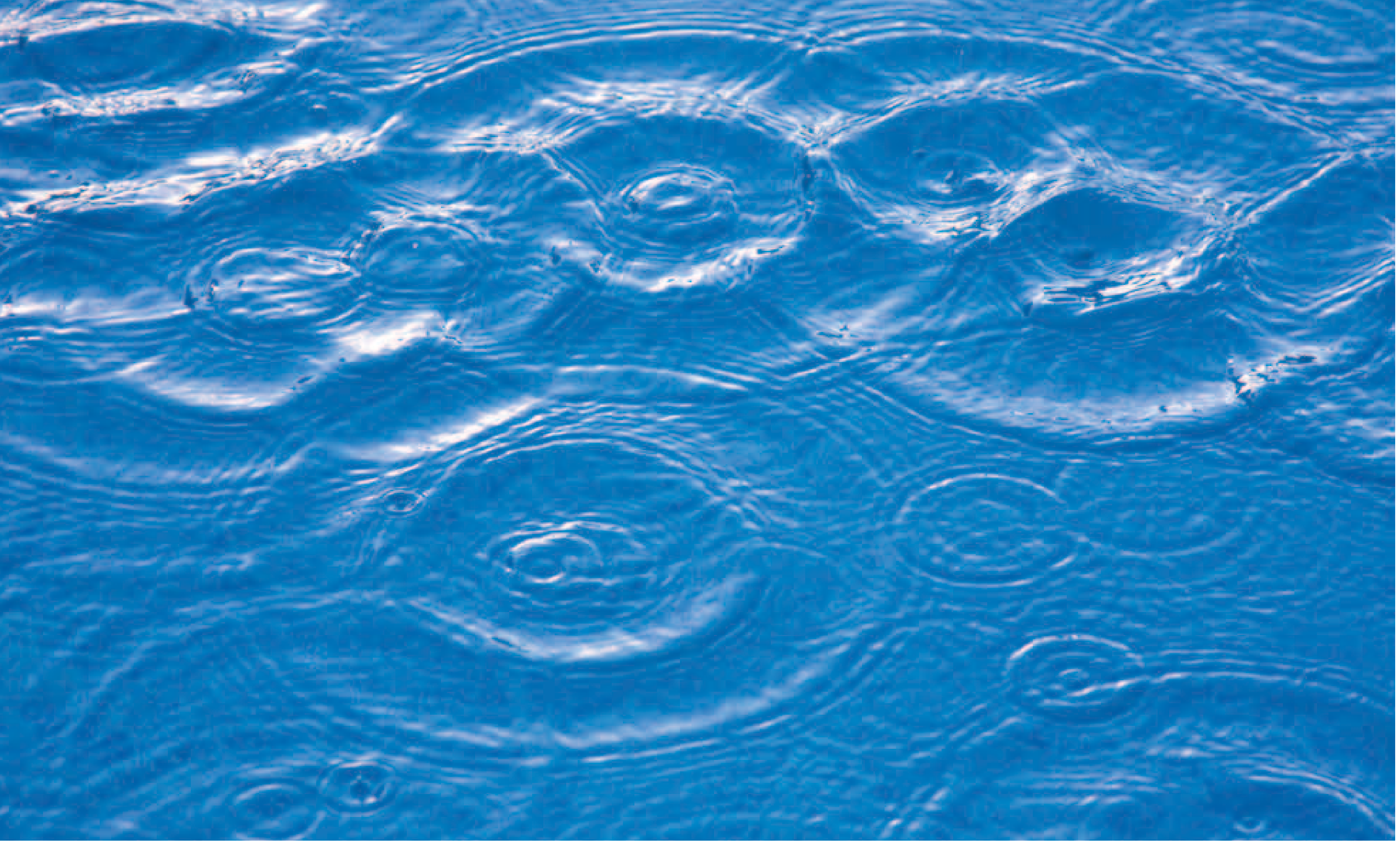
Number of Plants (Group)
Includes fully owned and operated plants and those owned through affiliates



Group's Installed Capacity



UAE Installed Capacity



2011 was a landmark year for Tabreed

Report of the Board of Directors

2011 Year in Review

We are pleased to report on the financial results and operational performance of National Central Cooling Company PJSC (Tabreed) for the year ended 31 December 2011.

2011 was a landmark year for Tabreed. The company increased its revenue and profit from the preceding year, delivered more key projects, grew its core chilled water business and significantly enhanced its operational efficiencies whilst completing its recapitalization program. The successes of 2011 have enabled Tabreed to establish a sustainable and recurring revenue stream and better position the business to overcome the challenges that lie ahead.

The completion of the recapitalization program on 1 April 2011 was a significant milestone, and it allowed the company to settle its 06 Sukuk in full upon maturity.

The components of the recapitalization program which were completed in 2011 include:

- The refinancing of AED 2.63 billion via the conversion of the company's short-term bilateral and syndicated bank debt facilities into a consolidated facility with an extended tenor and lower total cost of borrowing, providing long-term flexibility. The company was also extended a new AED 150 million revolving credit facility
- Securing up to AED 3.1 billion in new long-term capital commitments from Mubadala Development Company, comprising:

  a) AED 1.7 billion Subordinated Mandatory Convertible Notes (the 'Subordinated Notes') to refinance the Company's existing AED 1.7 billion Bridge Financing

  b) Up to AED 1.4 billion Subordinated Convertible Loan Facility, which may be drawn by the company to satisfy certain liquidity needs, complete its build-out program and pursue near-term growth opportunities
- Early repurchase of the company's 08 Sukuk that resulted in the annual distribution amount of AED 246.5 million being settled in ordinary shares

Financial Highlights

In 2011, Tabreed continued to improve its financial performance. Group revenue for the year increased by 9 per cent to AED 1,114.6 million from 2010, while net profit increased by 34 per cent to AED 182.7 million.

Revenue from chilled water, the company's core business and the main driver of improved performance, increased by 25 per cent to AED 943.8 million, while chilled water profit increased 37 per cent to AED 274.4 million.

Finally, EBITDA, an indicator of cash flow generation, increased by 18 per cent to AED 434.7 million.

Operational Highlights

11 new plants came online in 2011, eight of which were for the Dubai Metro Green Line, bringing the total number of plants in Tabreed's UAE portfolio to 58 (51 wholly-owned and operated by the company and seven operated through its affiliates).

45,800 RT of capacity was added in 2011 (an 8 per cent increase from 2010), and 78,115 RT of new connections made (a 16 per cent increase from 2010).

In total, Tabreed's installed capacity in the UAE has reached 587,325 RT and connected capacity 555,181 RT. Regionally, the group's installed capacity stands at 749,125 RT and connected capacity at 703,176 RT.

In addition to maintaining its strict adherence to cost discipline and enhancing its organizational efficiencies, Tabreed also continued to strengthen its customer base, with 47 per cent of its installed capacity now contracted to government organizations, mainly in the UAE.

Looking Forward

Given the successes of 2011, the board is confident that Tabreed has solid foundations in place to ensure robust performances in the years to come. Several reasons underpin our optimism:

- Tabreed is a district cooling company in an economically strong region that requires year-round cooling
- The company's contracts, many of which are with UAE government entities, are long-term and stable
- The recently completed recapitalization program put in place a stable capital structure, and provided the necessary cash to fund the completion of existing projects
- With the Company's build-out program now substantially complete, focus will be on increasing the yield from existing assets and a structured, disciplined growth

Going forward, Tabreed's management will continue to focus on building the business and creating value for stakeholders by:

1. Enhancing value from existing plants while maximizing organizational and Tabreed operational efficiencies
2. Achieving full earnings potential
3. Growing the company's core chilled water business

District cooling is increasingly recognized as a strategic utility that provides energy efficient, cost-effective and reliable cooling solutions. With expected continued investment in vital regional infrastructure, there remains a healthy demand for district cooling - an important component and partner of economic growth.

Good corporate governance fosters high standards of professionalism and facilitates accountability within the company

Corporate Governance Report

Corporate Governance

Tabreed recognises that sound governance is important to safeguard and deliver shareholder value. Good corporate governance fosters high standards of professionalism and performance and facilitates accountability within the company. The Board and Management team are committed to the high standards of corporate governance required under Ministerial Resolution No. 518 of the Emirates Securities and Commodities Authority.

Board of Directors

The appointment, roles and responsibilities of the Board are outlined in Tabreed's Articles of Association.

An appropriate balance between the membership capacities was maintained during 2011. From 1 January to 10 May 2011, the Board consisted of 9 members and since 11 May 2011, the Board has consisted of 7 members, as approved at the Annual General Assembly meeting (AGA). Throughout the year, the membership criteria set by the Ministerial Resolution No. 518 were met in regards to non-executive and independent members.

Chairman of the Board

From 1 January to 10 May 2011 the Chairman of the Board was Khadem Abdullah Al Qubaisi and from 11 May 2011 for the remainder of 2011, the Chairman was Waleed Al Mokarrab Al Muhairi. Both Chairmen are non-executive directors and independent, with extensive experience in corporations in the United Arab Emirates.

Throughout the year the Chairman has ensured that the Board participates effectively at the Board meetings and acts in the best interests of Tabreed. The Chairman develops the agenda for Board meetings, oversees communication between Board members and shareholders, and encourages constructive relations between the Board members.

Members of the Board

The members of the Board have a diversified set of skills and experience. Their duty is to act in the best interests of Tabreed and its shareholders. They ensure that management has established systems and processes to adhere to laws, regulations and Tabreed policies and procedures.

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

A procedure for inducting new Board members is written into the Corporate Governance Procedures Manual. That procedure ensures that new members understand Tabreed and their role as a member of the Board. Each year, all Board members disclose to Tabreed an assessment of their independence and details of their significant positions in other companies or public institutions.

Board Committees

The Tabreed Board has created four Board Committees:

- The Audit Committee;
- Nomination and Remuneration Committee;
- The Finance Committee; and
- The Projects Committee.

The Audit Committee and Nomination & Remuneration Committee are required under Ministerial Resolution No. 518.

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

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

Remuneration of Board Members

The Board members are remunerated by an attendance fee for each meeting as allowed under article 34 of the Articles of Association. Section 58 of the articles also allows the General Assembly to approve a share of profits. That provision was not utilised in 2011.

Internal Control

The Internal Control function reports to the Board of Directors and operates under the stewardship of the Audit Committee. This enables the department to function in an independent and objective manner. The Board ensures that the internal controls are effective by reviewing the work of the Audit Committee, dealing with risk and control matters at Board meetings and requiring that risk and internal control issues are discussed at each Board meeting. The Board also ensures that an internal control review is conducted by the Internal Control function each year.
The Internal Control department roles and responsibilities are governed by a formal charter that is endorsed and approved by the Audit Committee. This charter mandates the Internal Control function operations and contribution towards fulfilling Tabreed goals and objectives.

Audit Committee

An effective Audit Committee has been implemented by the Board. The role of that committee is outlined in a Board approved charter and includes:

1. providing advice to the Board on the independence of the External Auditor;
2. endorsing the quarterly and annual accounts after consideration of accounting policies and standards, assumptions and judgements, compliance with laws and any significant or unusual matters;
3. continually assessing the systems for internal control and risk management;
4. developing procedures which allow employees to raise matters of concern regarding internal control or financial reports; and
5. consideration of issues referred to it by the Board.

External Auditor

On the recommendation of the Audit Committee, the Board appointed Ernst & Young as the Tabreed external auditor at the 2011 Annual General Assembly. The Board ensures that the external auditor remains independent from the Company. The external auditor has broad powers to provide reports to the general assembly and to regulatory bodies.

Delegation to Management

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

The Board provides guidance through the following Board approved mandates, which together comprise the delegation of authority to the Management:

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

Shareholders Rights

The Board is committed to maintaining high standards in regard to the recognition of shareholder rights. This commitment is outlined in the Corporate Governance Procedures Manual. To that end, Tabreed has established a shareholder communications function and has also engaged the National Bank of Abu Dhabi (NBAD) to assist with shareholder engagement.

The purpose of both the shareholder communications function and the NBAD role is to ensure that shareholders receive all required financial reports, are provided with relevant information and are notified of AGA and EGA meetings. NBAD also ensure that dividend payments, if approved by the Board, are delivered to each shareholder. Tabreed Articles of Association detail the shareholders rights to information, voting, participation at meetings and information on candidates for Board positions.

Code of Conduct

The manner in which the Board expects employees of Tabreed to behave with respect to each other, the law, customers, suppliers, stakeholders and the community is articulated in the Tabreed - Code of Conduct. The Code of Conduct forms part of the Human Resources Policy and Procedures Manual.

"The consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011"

Independent Auditor's Report

To the Shareholders of
National Central Cooling Company PJSC - Tabreed

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

INDEPENDENT AUDITORS' REPORT continued

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

Date: February 19, 2012
Abu Dhabi

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2011

	Notes	***2011*** ***AED '000***	*2010* *AED '000*
Revenue	3 & 4	**1,114,571**	1,023,734
Operating costs	6.1 & 4	**(654,788)**	(597,361)
GROSS PROFIT		**459,783**	426,373
Administrative and other expenses	6.2	**(158,390)**	(160,426)
PROFIT FROM OPERATIONS		**301,393**	265,947
Finance costs	5	**(219,861)**	(195,751)
Interest income		**3,768**	4,408
Changes in fair value of derivative liability and other income		**44,138**	30,916
Share of results of associates	12	**50,700**	42,453
Share of results of joint ventures	13	**1,448**	(1,685)
PROFIT FOR THE YEAR		**181,586**	146,288
Attributable to:			
Owners of the parent		**182,705**	136,823
Non-controlling interests		**(1,119)**	9,465
		181,586	146,288
Basic and diluted earnings per share attributable to owners of the parent (AED)	7	**0.09**	0.36

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

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	2011 AED '000	2010 AED '000
PROFIT FOR THE YEAR		**181,586**	146,288
Other comprehensive income			
Net movement in fair value of derivatives in cash flow hedges	23	**35,754**	11,795
Share of changes in fair value of derivatives of associate in cash flow hedges	12 & 23	**(5,635)**	(3,836)
Changes in fair value of available for sale investments		-	(1,532)
Exchange differences arising on translation of overseas operations		**7**	(1,618)
Other comprehensive income for the year		**30,126**	4,809
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**211,712**	151,097
Attributable to:			
Owners of the parent		**212,831**	141,632
Non-controlling interests		**(1,119)**	9,465
		211,712	151,097

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

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	2011 AED '000	2010 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	**466,135**	932,045
Property, plant and equipment	11	**4,626,461**	4,401,521
Intangible assets	14	**37,596**	37,598
Investments in associates	12	**336,926**	298,041
Investments in joint ventures	13	**4,334**	3,142
Loans to an associate and a joint venture	16 & 32	**56,544**	72,207
Finance lease receivables	17	**1,619,815**	1,194,607
		7,147,811	6,939,161
Current assets			
Inventories		**33,909**	35,796
Accounts receivable and prepayments	18	**788,472**	723,894
Loan to an associate	16 & 32	**3,662**	9,781
Finance lease receivables	17	**106,300**	81,888
Contract work in progress	19	**48,305**	40,704
Cash and short term deposits	20	**511,997**	361,815
		1,492,645	1,253,878
Assets classified as held for sale	8	**103,297**	-
TOTAL ASSETS		**8,743,753**	8,193,039
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	21	**659,063**	243,380
Treasury shares	22	**(2,016)**	(2,016)
Statutory reserve	23	**79,386**	61,115
Retained earnings (accumulated losses)		**38,278**	(1,004,808)
Foreign currency translation reserve		**(2,303)**	(2,310)
Cumulative changes in fair value of derivatives	23	**(41,157)**	(71,276)
Mandatory convertible bond and subordinated loan facility – equity component	27	**1,945,245**	1,301,679
Capital reduction reserve	24	**-**	961,966
Other reserve	27	**1,145,196**	-
		3,821,692	1,487,730
Non - controlling interests		**92,391**	94,505
Total equity		**3,914,083**	1,582,235
Non-current liabilities			
Accounts payable and accruals	30	**41,462**	65,624
Interest bearing loans and borrowings	25	**2,110,921**	-
Islamic financing arrangements	26	**527,096**	-
Obligations under finance lease	28	**30,453**	34,403
Mandatory convertible bond and subordinated loan facility – liability component	27	**909,860**	-
Employees' end of service benefits	29	**17,090**	14,971
		3,636,882	114,998
Current liabilities			
Bank overdraft	20	**-**	53,717
Accounts payable and accruals	30	**701,503**	1,045,696
Advances from a related party	31	**400,000**	400,000
Interest bearing loans and borrowings	25	**72,811**	2,406,091
Islamic financing arrangements	26	**11,110**	2,320,683
Mandatory convertible bond and subordinated loan facility – liability component	27	**-**	262,255
Obligations under finance lease	28	**7,364**	7,364
		1,192,788	6,495,806
Total liabilities		**4,829,670**	6,610,804
TOTAL EQUITY AND LIABILITIES		**8,743,753**	8,193,039

Waleed Al Mokarrab Al Muhairi
CHAIRMAN

Sujit S. Parhar
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
For the year ended 31 December 2011

Attributable to equity holders of the parent

	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings (Accumulated losses) AED '000	Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives and available for sale investments AED '000	Mandatory convertible bond and subordinated –loan facility - equity component AED '000	Capital reduction reserve AED '000	Other reserve AED '000	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2010	1,213,380	(10,050)	47,433	(1,045,766)	(692)	(77,703)	1,301,679	-	-	1,428,281	18,385	1,446,666
Profit for the year	-	-	-	136,823	-	-	-	-	-	136,823	9,465	146,288
Other comprehensive (loss) income for the year	-	-	-	-	(1,618)	6,427	-	-	-	4,809	-	4,809
Total comprehensive income (loss) for the year	-	-	-	136,823	(1,618)	6,427	-	-	-	141,632	9,465	151,097
Transfer to statutory reserve	-	-	13,682	(13,682)	-	-	-	-	-	-	-	-
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary	-	-	-	(82,183)	-	-	-	-	-	(82,183)	82,183	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(15,528)	(15,528)
Reduction share capital	(970,000)	8,034	-	-	-	-	-	961,966	-	-	-	-
Balance at 31 December 2010	243,380	(2,016)	61,115	(1,004,808)	(2,310)	(71,276)	1,301,679	961,966	-	1,487,730	94,505	1,582,235
Profit (Loss) for the year	-	-	-	182,705	-	-	-	-	-	182,705	(1,119)	181,586
Other comprehensive income for the year	-	-	-	-	7	30,119	-	-	-	30,126	-	30,126
Total comprehensive income (loss) for the year	-	-	-	182,705	7	30,119	-	-	-	212,831	(1,119)	211,712
Conversion of mandatory convertible bond into ordinary shares (note 27)	415,683	-	-	-	-	-	(1,301,679)	-	1,145,196	259,200	-	259,200
Transfer to statutory reserve	-	-	18,271	(18,271)	-	-	-	-	-	-	-	-
Mandatory Convertible Bonds – equity component (note 27)	-	-	-	-	-	-	1,864,519	-	-	1,864,519	-	1,864,519
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary (note 9)	-	-	-	(2,588)	-	-	-	-	-	(2,588)	2,588	-
Mandatory convertible bond - coupon settled in kind (note 27)	-	-	-	(76,500)	-	-	76,500	-	-	-	-	-
Subordinated loan facility Tranche A - coupon settled in kind (note 27)	-	-	-	(4,226)	-	-	4,226	-	-	-	-	-
Transfer of capital reduction reserve into retained earnings	-	-	-	961,966	-	-	-	(961,966)	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,583)	(3,583)
Balance at 31 December 2011	659,063	(2,016)	79,386	38,278	(2,303)	(41,157)	1,945,245	-	1,145,196	3,821,692	92,391	3,914,083

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

National Central Cooling Company PJSC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Notes	2011 AED '000	2010 AED '000
OPERATING ACTIVITIES			
Profit for the year		**181,586**	146,288
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	**133,282**	102,208
Amortisation of trademarks	14	**2**	2
Finance income relating to finance lease receivable	17	**(99,625)**	(67,070)
Share of results of associates	12	**(44,520)**	(40,074)
Share of results of joint ventures	13	**(1,448)**	1,685
Net movement in employees' end of service benefits	29	**2,119**	1,048
Interest income		**(3,768)**	(4,408)
Finance costs	5	**219,861**	195,751
Other income and changes in fair value of derivative liability	27	**(40,176)**	(25,300)
Working capital adjustments:			
Inventories		**1,887**	511
Trade and other receivables and prepayments		**(126,505)**	(84,488)
Contract work in progress		**(7,601)**	(19,312)
Accounts payable and accruals		**(7,535)**	23,900
		207,559	230,741
Lease rentals received		**85,005**	38,681
Net cash flows from operating activities		**292,564**	269,422
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(2,920)**	(7,542)
Proceeds from sale of property, plant and equipment		**1,033**	-
Investments in associates	12	**-**	(22,148)
Payments for capital work in progress		**(607,037)**	(1,238,726)
Proceeds from disposal of available for sale investments, net		**-**	35,342
Repayment of loan by associate		**21,782**	5,421
Interest received		**3,768**	4,408
Net cash flows used in investing activities		**(583,374)**	(1,223,245)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	25	**446,710**	1,261,919
Interest bearing loans and borrowings repaid		**(9,716)**	(9,086)
Subordinated loans received	27	**1,102,000**	-
Islamic financing arrangement repaid	26	**(734,600)**	(20,000)
Islamic financing arrangement received	26	**52,801**	-
Recapitalization program costs paid	25	**(92,795)**	-
Payment for obligations under finance lease		**(3,950)**	(3,601)
Interest paid		**(262,158)**	(204,365)
Dividends paid to non-controlling interests		**(3,583)**	(15,528)
Net cash flows from financing activities		**494,709**	1,009,339
INCREASE IN CASH AND CASH EQUIVALENTS		**203,899**	55,516
Cash and cash equivalents at 1 January		**308,098**	252,582
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**511,997**	308,098

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

1 ACTIVITIES

National Central Cooling Company PJSC ("Tabreed" or "the Company") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Commercial Companies Law No. 8 of 1984 (as amended) and is listed on the Dubai Financial Market. The Company is a subsidiary of the Mubadala Development Company PJSC ("MDC" or the "Parent Company"). The principal activity of the Company is to supply chilled water. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on February 19, 2012.

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

Statement of compliance

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

2.2 BASIS OF CONSOLIDATION

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

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group's accounting policy and the key source of estimation uncertainty are the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2011, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011 which do not have any significant impact on the consolidated financial statements:

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

IAS 24 Related Party Disclosures (Amendment)

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

IAS 32 Financial Instruments: Presentation (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The adoption of the amendment did not have any impact on the financial position and performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The adoption of the amendment did not have any impact on the financial position and performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following amendments resulting from the improvements did not have any significant impact on the accounting policies, financial position or performance of the Group.

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments — Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

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

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

Impairment of non financial assets – Indicators of impairment
Management determines at each date of statement of financial position whether there are any indicators of impairment relating to the Group's cash generating units, property, plant and equipment, capital work in progress and intangible assets. A broad range of internal and external factors is considered as part of the indicator review process. Refer to note 11 for details on judgements and estimates applied by the management.

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

Estimates and assumptions

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

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

Recoverable amount for asset classified as held for sale
Management classifies a non-current as held for sale when the carrying amount of the asset is expected to be recovered through a sale transaction rather than continuing use. Non-current asset held for sale is measured at the lower of the asset's carrying amount and fair value less cost to sell at the reporting date. Estimating the asset's recoverable amount requires management to make an estimate of the expected sale price of the asset based on discussions with potential customer.

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions

Impairment of non-financial assets
Impairment testing requires an estimation of the value in use of the cash generating units. The value in use requires the Company to estimate the amount and timing of future cash flows, terminal value of the assets, cost to complete the construction of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

The net carrying amounts of non-financial assets affected by the above estimations are as follows:

	2011 ***AED '000***	*2010* *AED '000*
Capital work in progress	**466,135**	932,045
Property, plant and equipment	**4,626,461**	4,401,521
Intangible assets	**37,596**	37,598

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

At the reporting date, gross trade accounts receivable, amounts due from related parties, finance lease receivable and loan to an associate and a joint venture were AED 442.1 million (2010: AED 597.4 million), AED 283.9 million (2010: AED 92.4 million), AED 1,726 million (2010: AED 1,276 million) and AED 60.2 million (2010: AED 81.9 million) respectively and impairment loss recognised in the consolidated income statement for the year ended 31 December 2011 was AED 2.5 million (2010: AED 2.7 million), AED nil (2010: AED nil), AED nil (2010: nil) and AED nil (2010: nil) respectively.

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

At the reporting date, gross inventory was AED 34.2 million (2010: AED 36.1 million). No additional provision has been made for obsolete inventories during the year ended 31 December 2011 (2010: AED 0.3 million). 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 revenue and expenses
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 reporting date. An expected loss on the contract is recognised as an expense immediately.

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

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued

Contracting revenue and expenses continued

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 supply of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognised when services are provided.

Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when 1) it is probable that the economic benefits associated with the contract will flow to the Group; 2) the contract costs attributable to the contract can be reliably estimated; and 3) the Group is reasonably confident about the collection of the amount recognised.

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 probable contingencies.

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year. Finance income on finance lease receivables is included in revenue due to its operating nature.

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

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

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

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

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currency translation

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

i) Transactions and balances

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

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

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

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

ii) Group companies

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

Capital work in progress

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

Borrowing costs

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated income statement as incurred. Land is not depreciated.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

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

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

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

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

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

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent marke transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

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

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

Assets classified as held for sale
Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through its continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment and non-collectibility of financial assets

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

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

Financial assets carried at amortised cost

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

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

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

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

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Inventories

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

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

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

Contract work in progress

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

Cash and cash equivalents

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

Treasury shares

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Accounts payable and accruals

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

Interest bearing loans & borrowings and Islamic financing arrangements

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

For the subordinated loan facility, to the extent the facility represents a contractual arrangement to deliver cash or another financial asset, it is classified as a liability, with the balance of proceeds being allocated to equity and recognised under separate heading in shareholders' equity. On conversion at maturity, the par value of the ordinary shares issued is recognised under issued capital and any surplus recognised under share premium. Subordinated loan facility carrying interest rate below market rate is measured at fair value with the balance of proceeds recognised under separate heading in shareholders' equity.

Transaction costs are allocated between liability and equity components of the subordinated loan facility based on allocation of initial proceeds from the facility between the liability and equity components.

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

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.

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

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

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

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Group as lessor – Finance leases
Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the balance sheet as financial assets (finance lease receivable) and are carried at the amount of the net investment in the lease after making provision for impairment.
Group as lessor – Operating leases
Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

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 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 payable in cash ('cash-settled transactions'). The cost of the cash settled transactions is measured initially at fair value at the grant date based on the unit value determined by management of the Company or minimum guaranteed value, whichever is higher. The cost of cash settled transactions is expensed to the consolidated income statement or capital work in progress, as applicable, in the year of grant with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value, subject to minimum guaranteed value, recognised in the consolidated income statement or capital work in progress, as applicable.

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

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

For the purpose of hedge accounting, hedges are classified as:
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a firm commitment; or
- fair value hedges when hedging the exposure to changes in the fair value of an unrecognised firm commitment.

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

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

Amounts recognised in the statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged interest expense is recognised or when a forecast sale occurs.

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

Where the hedged item is the cost of a non-financial asset or non-financial liability, the cumulative amounts recognised in the statement of changes in equity are transferred to the initial carrying amount of the non financial asset or liability.

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

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

Fair value of financial instruments
Financial instruments comprise financial assets and financial liabilities.

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 36.

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

The following IASB Standard and amendments have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
- IAS 12 Income Taxes – Recovery of Underlying Assets
- IAS 19 Employee Benefits (Amendment)
- IAS 27 Separate Financial Statements (as revised in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Involvement with Other Entities
- IFRS 13 Fair Value Measurement

The Group, however, expects no material impact from the adoption of the above new and amended standards on its financial position or performance.

3 REVENUE

	2011	*2010*
	AED '000	*AED '000*
Supply of chilled water	**689,940**	566,635
Finance lease income (note 17)	**99,625**	67,070
Operating lease income	**154,266**	119,440
Contracting revenue	**83,720**	123,878
Manufacturing revenue	**40,057**	83,194
Services	**46,963**	63,517
	1,114,571	1,023,734

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4 OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services. The two reportable operating segments are as follows:

- The 'Chilled Water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

Because of the contraction in value chain business, the Group's chief operating decision makers review the value chain business on an overall basis for the purpose of making decisions about resource allocation and performance assessment. Accordingly, operating segments that were earlier reported separately as contracting, manufacturing and services have now been combined under 'value chain business' segment.

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

	2011				2010			
	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000
Revenue								
External revenue	943,831	170,740	-	1,114,571	753,145	270,589	-	1,023,734
Inter–segment revenue	-	96,236	(96,236)	-	150	33,855	(34,005)	-
Total revenue	943,831	266,976	(96,236)	1,114,571	753,295	304,444	(34,005)	1,023,734
Operating costs	(537,761)	(214,960)	97,933	(654,788)	(432,672)	(196,760)	32,071	(597,361)
Gross profit	406,070	52,016	1,697	459,783	320,623	107,684	(1,934)	426,373
Results								
Segment results	274,355	23,214	3,824	301,393	200,337	67,245	(1,635)	265,947
Finance costs	-	-	-	(219,861)	-	-	-	(195,751)
Changes in fair value of derivative liability and other income	44,138	-	-	44,138	30,916	-	-	30,916
Interest income	-	-	-	3,768	-	-	-	4,408
Share of results of associates	50,700	-	-	50,700	42,453	-	-	42,453
Share of results of joint ventures	1,448	-	-	1,448	(1,685)	-	-	(1,685)
Profit for the year				181,586				146,288

Inter-segment revenues are eliminated on consolidation.

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

	2011			2010		
	Chilled water AED '000	Value chain business AED '000	Total AED '000	Chilled water AED '000	Value chain business AED '000	Total AED '000
Depreciation and amortisation	127,073	6,211	133,284	95,769	6,441	102,210

National Central Cooling Company PJSC
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4 OPERATING SEGMENTS continued

Segment assets and liabilities are as follows:

	2011				2010			
	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000
Segment assets	7,723,670	262,657	-	7,986,327	7,536,344	335,194	-	7,871,538
Investments in associates	336,926	-	-	336,926	298,041	-	-	298,041
Investments in joint ventures	4,334	-	-	4,334	3,142	-	-	3,142
Unallocated assets	-	-	416,166	416,166	-	-	20,318	20,318
Total assets	8,064,930	262,657	416,166	8,743,753	7,837,527	335,194	20,318	8,193,039
Segment liabilities	1,066,146	93,909	-	1,160,055	1,389,940	136,351	-	1,526,291
Unallocated liabilities	-	-	3,669,615	3,669,615	-	-	5,084,513	5,084,513
Total liabilities	1,066,146	93,909	3,669,615	4,829,670	1,389,940	136,351	5,084,513	6,610,804

Unallocated assets represent bank deposits AED 416,166 thousand (2010: AED 20,318 thousand) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 2,183,732 thousand (2010: AED 2,406,091 thousand), Islamic financing arrangements AED 538,206 thousand (2010: AED 2,320,683 thousand), obligations under finance lease AED 37,817 thousand (2010: AED 41,767 thousand), mandatory convertible bond – liability component AED 393,447 thousand (2010: AED 262,255 thousand) and subordinated loan facility – liability component AED 516,413 thousand (2010: AED nil) and bank overdraft AED nil (2010: AED 53,717 thousand) as these liabilities are managed on a group basis.

	2011			2010		
	Chilled water AED '000	Value chain business AED '000	Total AED '000	Chilled water AED '000	Value chain business AED '000	Total AED '000
Capital expenditure:						
Property, plant and equipment	2,710	210	2,920	6,979	563	7,542
Capital work in progress	452,518	-	452,518	590,183	-	590,183
Investment in an associate	-	-	-	22,148	-	22,148

Geographic information

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

	Revenue		Non-current assets	
	2011 AED '000	2010 AED '000	2011 AED '000	2010 AED '000
United Arab Emirates	1,081,599	1,013,219	6,296,066	6,118,094
Others	32,972	10,515	453,941	447,677
	1,114,571	1,023,734	6,750,007	6,565,771

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

National Central Cooling Company PJSC
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4 OPERATING SEGMENTS continued

Revenue from external customers

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

	2011 Chilled water AED '000	2011 Value chain business AED '000	2011 Total AED '000	2010 Chilled water AED '000	2010 Value chain business AED '000	2010 Total AED '000
Customer 1	262,442	49,796	312,238	260,867	25,560	286,427
Customer 2	212,991	-	212,991	150,719	-	150,719
	475,433	49,796	525,229	411,586	25,560	437,146

5 FINANCE COSTS

	2011 AED '000	2010 AED '000
Gross interest charge for the year	225,222	282,360
Less: interest capitalised during the year (note 10)	(5,361)	(86,609)
Interest charged to income statement during the year	219,861	195,751
Interest charged to income statement comprises of:		
Interest on interest bearing loans and borrowings, overdrafts and interest rate swaps	163,743	125,417
Rental charges on Islamic financing arrangements	52,322	67,126
Interest element of finance lease	3,796	3,208
	219,861	195,751

6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2011 AED '000	2010 AED '000
Costs of inventories recognised as an expense	30,322	56,287
Contract costs	70,777	92,434
Depreciation (note 11)	127,106	95,049
Utility costs	264,969	191,242
Purchase of chilled water from a related party (note 32)	89,904	89,834
Chiller rental costs	26,460	35,864
Others	45,250	36,651
	654,788	597,361

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6 PROFIT FROM OPERATIONS continued

6.2 Administrative and other expenses

	2011 AED '000	2010 AED '000
Staff costs	98,853	96,827
Depreciation and amortisation (note 11 & 14)	6,178	7,161
Provision for doubtful debts (note 18)	2,474	2,730
Other administrative and general expenses	50,885	53,708
	158,390	160,426

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

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond (note 27).

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent (after adjusting for accretion on subordinated loan facility – liability component) by the weighted average number of ordinary shares used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares (note 27).

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

	2011	2010
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (*AED '000*)	182,705	136,823
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	498,746	241,364
Effect of mandatory convertible bond ('000)	1,503,952	135,312
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	2,002,698	376,676
Basic earnings per share *(AED)*	0.09	0.36

Basic earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 27).

National Central Cooling Company PJSC
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7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT continued

Diluted earnings per share

	2011	*2010*
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (AED '000)	**182,705**	136,823
Accretion on subordinated loan facility- Tranche B ('000) (note 27)	**5,568**	-
Profit for the year attributable to ordinary equity holders of the parent for diluted earnings (AED '000)	**188,273**	136,823
Weighted average number of ordinary shares for basic earnings per share ('000)	**2,002,698**	376,676
Effect of dilution for subordinated loan facility Tranche B ('000)	**142,492**	-
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	**2,145,190**	376,676
Diluted earnings per share *(AED)*	**0.09**	0.36

8 ASSETS HELD FOR SALE

During the year, the Board of Directors resolved to sell a plant and its related distribution network with a carrying value of AED 103 million to a customer. Accordingly, the carrying amount of the plant and related distribution network has been classified as 'Assets held for sale' as of 31 December 2011.

9 SUBSIDIARIES

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

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

9 SUBSIDIARIES continued

	Country of incorporation	*Percentage of holding* **2011**	*2010*	*Principal activities*
Chilled water segment;				
National Central Cooling Company Ras Al Khaimah LLC	UAE	**100**	100	Selling of chilled water
Summit District Cooling Company	UAE	**100**	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	**90**	90	Selling of chilled water
Tabreed Oman SAOC	Oman	**60**	60	Selling of chilled water
Tabreed LLC Oman	Oman	**100**	100	Selling of chilled water
Value chain business segment;				
Gulf Energy Systems LLC	UAE	**100**	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	**60**	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	**100**	60	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	**100**	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	**70**	70	Design and supervision consultancy
Installation Integrity 2006 WLL	Qatar	**71**	52	Commissioning and engineering services
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	**100**	-	Operation and maintenance of plants
Sahara Cooling and Air Conditioning LLC	UAE	**51**	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
Others - Unallocated				
Tabreed Captive Insurance Company B.S.C.	Bahrain	**100**	100	Engages in reinsurance business for the Group
Tabreed Holdings WLL	Bahrain	**100**	100	Act as a holding company

During the year, the Company acquired an additional 40% shareholding interest in Installation Integrity 2000 LLC, resulting in increase in the Company's holding in that subsidiary from 60% to 100% and an increase in share in net liabilities by AED 2.6 million that has been recognised in retained earnings within equity.

Tabreed Operation & Maintenance Zones Cooling Stations Company LLC (Tabreed O&M) was incorporated during the year and has not started operations.

10 CAPITAL WORK IN PROGRESS

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

	2011 AED '000	*2010 AED '000*
Balance at 1 January	**903,700**	1,578,083
Additions during the year	**452,518**	590,183
Transfer to finance lease receivable (note 17)	**(435,000)**	-
Transfer to property, plant and equipment, net of impairment (note 11)	**(459,632)**	(1,264,566)
	461,586	903,700
Advances to contractors	**4,549**	28,345
Balance at 31 December after provision for impairment	**466,135**	932,045

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2011

10 CAPITAL WORK IN PROGRESS continued

Tabreed has granted security over its plants under construction with a carrying value of AED 375.3 million (2010: AED 487.1 million), representing capital work in progress together with associated receivables, for the purposes of interest bearing loans and borrowings and Islamic financing arrangements (notes 25 and 26).

Included in additions to capital work in progress are capitalised financing costs amounting to AED 5 million (2010: AED 87 million).

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

11 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED '000	*Distribution network AED '000*	*Furniture and fixtures AED '000*	*Office equipment and instruments AED '000*	*Motor vehicles AED '000*	*Total AED '000*
2011						
Cost:						
At 1 January 2011	**3,625,576**	**1,976,326**	**12,637**	**30,475**	**1,673**	**5,646,687**
Additions	**1,587**	**-**	**587**	**746**	**-**	**2,920**
Transfer from capital work in progress (note 10)	**189,765**	**269,867**	**-**	**-**	**-**	**459,632**
Asset classified under held for sale (note 8)	**(92,951)**	**(19,923)**	**-**	**-**	**-**	**(112,874)**
Disposals	**(502)**	**(822)**	**(545)**	**-**	**(438)**	**(2,307)**
At 31 December 2011	**3,723,475**	**2,225,448**	**12,679**	**31,221**	**1,235**	**5,994,058**
Depreciation:						
At 1 January 2011	**289,313**	**81,855**	**10,964**	**22,826**	**1,461**	**406,419**
Depreciation for the year	**92,658**	**35,660**	**855**	**4,009**	**100**	**133,282**
Asset classified under held for sale (note 8)	**(8,151)**	**(1,426)**	**-**	**-**	**-**	**(9,577)**
Depreciation relating to disposals	**(212)**	**(222)**	**(445)**	**-**	**(395)**	**(1,274)**
At 31 December 2011	**373,608**	**115,867**	**11,374**	**26,835**	**1,166**	**528,850**
Net carrying amount before provision for impairment: At 31 December 2011	**3,349,867**	**2,109,581**	**1,305**	**4,386**	**69**	**5,465,208**
Provision for impairment at 1 January 2011 and 31 December 2011	**483,299**	**355,448**	**-**	**-**	**-**	**838,747**
Net carrying amount after provision for impairment: At 31 December 2011	**2,866,568**	**1,754,133**	**1,305**	**4,386**	**69**	**4,626,461**
2010						
Cost:						
At 1 January 2010	2,689,938	1,020,271	9,256	27,306	1,673	3,748,444
Additions	992	-	3,381	3,169	-	7,542
Transfer from capital work in progress (note 10)	993,026	982,415	-	-	-	1,975,441
Transfer to finance lease receivables (note 17)	(58,380)	(26,360)	-	-	-	(84,740)
At 31 December 2010	3,625,576	1,976,326	12,637	30,475	1,673	5,646,687
Depreciation:						
At 1 January 2010	224,199	60,176	7,401	17,347	1,346	310,469
Depreciation for the year	70,065	22,986	3,563	5,479	115	102,208
Transfer to finance lease receivables (note 17)	(4,951)	(1,307)	-	-	-	(6,258)
At 31 December 2010	289,313	81,855	10,964	22,826	1,461	406,419
Net carrying amount before provision for impairment: At 31 December 2010	3,336,263	1,894,471	1,673	7,649	212	5,240,268
Provision for impairment:						
At 1 January 2010	89,550	38,322	-	-	-	127,872
Transfer from capital work in progress (note 10)	393,749	317,126	-	-	-	710,875
At 1 31 December 2010	483,299	355,448	-	-	-	838,747
Net carrying amount after provision for impairment: At 31 December 2010	2,852,964	1,539,023	1,673	7,649	212	4,401,521

National Central Cooling Company PJSC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 PROPERTY, PLANT AND EQUIPMENT continued

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

	2011 AED '000	*2010 AED '000*
Included in operating costs (note 6.1)	**127,106**	95,049
Included in administrative and other expenses (note 6.2)	**6,176**	7,159
	133,282	102,208

Property, plant and equipment with a carrying amount of AED 995.8 million (2010: AED 3,285 million), together with the customer receivables associated with these plants have been pledged as security for the interest bearing loans and borrowings and Islamic financing arrangements (notes 25 and 26).

Net book value of plant amounting to AED 47.5 million (2010: AED 50 million) are held under finance lease. The leased assets are pledged as security for the related finance lease liability (note 28).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

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

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

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant not connected at the year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Company's WACC of 8.5% (2010: 8.5%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of the remaining useful life of the plant.

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership 2011	2010
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	State of Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Sahara Cooling Limited	United Arab Emirates	**40%**	40%
Cool Tech Qatar	State of Qatar	**49%**	49%

Movement in investment in associates is as follows:

	2011 AED '000	2010 AED '000
At 1 January	**298,041**	239,655
Capital injection	**-**	22,148
Share of results for the year	**44,520**	40,074
Share of changes in fair value of effective cash flow hedges	**(5,635)**	(3,836)
At 31 December	**336,926**	298,041

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

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

	2011 AED '000	2010 AED '000
Share of the associates' statement of financial position:		
Current assets	**167,401**	178,523
Non-current assets	**844,880**	810,669
Current liabilities	**(135,793)**	(125,169)
Non-current liabilities	**(535,900)**	(540,538)
Loan from shareholders	**(3,662)**	(25,444)
Net assets	**336,926**	298,041
Share of the associates' revenues and results:		
Revenues	**152,759**	134,412
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 6.2 million (2010: AED 2.4 million))	**50,700**	42,453

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 19.4 million (2010: AED 13.8 million).

National Central Cooling Company PJSC
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13 INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

	Country of incorporation	Ownership 2011	2010
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	**51%**	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	**50%**	50%

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling.

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

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

Movement in investments in joint ventures is as follows:

	2011 AED '000	2010 AED '000
At 1 January	**3,142**	70,432
Share of results for the year	**(95)**	(3,909)
Dividend received during the year	**-**	(61,927)
Adjustments for inter group profits	**1,287**	(1,454)
At 31 December	**4,334**	3,142
Share of the joint ventures' revenues and profits:		
Revenues	**53,435**	102,486
Profit (loss) for the year	**1,448**	(1,685)

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

	2011 AED '000	2010 AED '000
Tabreed's share of the assets and liabilities of the joint ventures are as follows:		
Current assets	**135,096**	192,461
Non-current assets	**158,962**	160,263
Current liabilities	**(151,161)**	(213,306)
Non-current liabilities	**(82,019)**	(79,732)
Loan from shareholders	**(56,544)**	(56,544)
Total net assets	**4,334**	3,142

The balance amount of AED 1.5 million loss (2010: AED 2.2 million loss) has been debited to the capital work in progress balance as it relates to construction activity for the Company's plants.

14 INTANGIBLE ASSETS

	Goodwill		Trademarks		Total	
	2011	2010	**2011**	2010	**2011**	2010
	AED '000	AED '000	**AED '000**	AED '000	**AED '000**	AED '000
Balance at 1 January	**37,596**	37,596	**2**	4	**37,598**	37,600
Amortisation for the year (note 6.2)	**-**	-	**(2)**	(2)	**(2)**	(2)
Balance at 31 December	**37,596**	37,596	**-**	2	**37,596**	37,598

15 IMPAIRMENT TESTING OF GOODWILL

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

	2011	2010
	AED '000	AED '000
Ian Banham & Associates	**27,711**	27,711
UAE Armed Forces	**9,712**	9,712
Other	**173**	173
Total	**37,596**	37,596

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

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

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

Ian Banham & Associates

The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2016. The discount rate applied to the cash flow projections is 25% (2010: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2010: 3%).

UAE Armed Forces cash generating unit

The recoverable amount of the UAE Armed Forces cash generating unit is determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on a signed contract with customer for a period of 20 years. The management is confident that the current 20 year contract with the customer will be extended for the remaining useful life of the plant. The operating costs mainly represent cost of utilities to operate the plants in the cash generating unit and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 8.5 % (2010: 8.5%) representing the Company's weighted average cost of capital.

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

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16 LOANS TO AN ASSOCIATE AND A JOINT VENTURE

	2011	2010
	AED '000	AED '000
Loan to an associate (note i)	**3,662**	25,444
Loan to a joint venture (note ii)	**56,544**	56,544
	60,206	81,988

Analysed in the consolidated statement of financial position as follows:

	2011	2010
	AED '000	AED '000
Current	**3,662**	9,781
Non-current	**56,544**	72,207
	60,206	81,988

(i) The loan was granted to Sahara Cooling Limited, an associate company. The loan is unsecured and interest is charged at LIBOR + 0.85%. An amount of AED 3.7 million (2010: AED 9.8 million) is expected to be repaid within twelve months from the reporting date and accordingly has been classified under current assets in the consolidated statement of financial position.

(ii) The Company has granted a loan of AED 56.5 million to S&T District Cooling Company LLC, a joint venture. The loan is unsecured and interest free. The amount is not expected to be repaid within twelve months from the reporting date.

17 FINANCE LEASE RECEIVABLES

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

	2011	2010
	AED '000	AED '000
At 1 January	**1,276,495**	1,169,624
Transfers from plant and equipment and capital work in progress during the year (notes 10 & 11)	**435,000**	78,482
Finance lease income (note 3)	**99,625**	67,070
Lease rentals received	**(85,005)**	(38,681)
At 31 December	**1,726,115**	1,276,495

Analysed in the consolidated statement of financial position as follows:

Current assets	**106,300**	81,888
Non-current assets	**1,619,815**	1,194,607
	1,726,115	1,276,495

17 FINANCE LEASE RECEIVABLES - continued

Transfer of AED 435 million from capital work in progress to finance lease receivable during the year relates to plant and equipment transferred on commencement of lease relating to an existing customer on the commissioning of related plants and distribution network ("the asset"). Management has determined the Master Cooling Agreement with the customer to contain a lease in accordance with IFRIC 4 and based on the terms of the agreement, the Company has accounted for the agreement as a finance lease.

The discount rate used to determine the present value of the finance lease receivable at inception of the lease is 7.3%. This rate is assessed based on the risk associated with the asset and the credit rating of the customer.

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

	2011		*2010*	
	Minimum lease receivables AED '000	***Present value of minimum lease receivable AED '000***	*Minimum lease receivables AED '000*	*Present value of minimum lease receivable AED '000*
Within one year	**110,676**	**106,300**	85,005	81,888
After one but no more than five years	**501,326**	**407,222**	362,054	292,897
More than five years	**3,405,739**	**1,212,593**	2,613,781	901,710
	4,017,741	**1,726,115**	3,060,840	1,276,495
Unearned revenue (note i)	**(2,291,626)**	**-**	(1,784,345)	-
	1,726,115	**1,726,115**	1,276,495	1,276,495

(i) Movement in unearned revenue is as follows:

	2011 AED '000	*2010 AED '000*
At 1 January	**1,784,345**	1,800,312
Relating to new finance leases	**606,906**	51,103
Recognised during the year (note 3)	**(99,625)**	(67,070)
At 31 December	**2,291,626**	1,784,345

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

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18 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 AED '000	*2010 AED '000*
Trade receivables	**418,215**	568,331
Amounts due from related parties (note 32)	**282,120**	80,604
Advances to contractors and employees	**25,569**	33,781
Deposits and other receivables	**53,958**	32,397
Prepayments	**8,610**	8,781
	788,472	723,894

As at 31 December 2011, trade receivables with a nominal value of AED 23.9 million (2010: AED 29.1 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2011 AED '000	*2010 AED '000*
At 1 January	**29,102**	27,528
Charge for the year (note 6.2)	**2,474**	2,730
Amounts written off	**(7,608)**	(1,156)
At 31 December	**23,968**	29,102

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

			Past due but not impaired					
	Total AED'000	*Neither past due nor impaired AED'000*	*< 30 days AED'000*	*30 – 60 days AED'000*	*60 – 90 days AED'000*	*90 – 120 days AED'000*	*120 – 365 days AED'000*	*>365 days AED'000*
2011	**700,335**	**163,236**	**61,883**	**46,749**	**53,892**	**58,423**	**151,224**	**164,928**
2010	648,935	141,710	77,333	73,402	56,187	27,074	161,933	111,296

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 32.

19 CONTRACT WORK IN PROGRESS

	2011 AED '000	*2010 AED '000*
Cost plus attributable profit	**166,486**	126,880
Less: progress billings	**(118,181)**	(86,176)
	48,305	40,704

20 CASH AND SHORT TERM DEPOSITS

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

	2011 AED '000	*2010* AED '000
Bank balances and cash	**95,831**	341,497
Bank deposits	**416,166**	20,318
	511,997	361,815
Bank overdraft	**-**	(53,717)
	511,997	308,098

Bank deposits attract a fixed rate of interest ranging from 0.5% to 3.6% per annum (2010: 1.0% to 3.0% per annum).

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

	2011 AED '000	*2010* AED '000
Within UAE	**482,402**	313,349
Outside UAE	**29,595**	48,466
	511,997	361,815

Significant non-cash transactions excluded from the consolidated statement of cash flows are as follows:

Contractor payable and project accruals relating to capital work in progress	**218,357**	778,545
Conversion of bridge loan into mandatory convertible bond 1 (note 27)	**1,700,000**	-
Restructuring of interest bearing loans and borrowings and Islamic financing arrangements (note 25)	**2,578,020**	-
Settlement of coupon payable on mandatory convertible bond 08 and derivative liability in shares (note 27)	**259,200**	**-**

21 ISSUED CAPITAL

	2011 AED '000	*2010* AED '000
Authorised, issued and fully paid up share capital		
Ordinary shares of 659,063,447 (2010: 243,380,000) at AED 1 each	**659,063**	243,380

During the year, the issued share capital increased by AED 415,683 thousand as a result of a repurchase of the mandatory convertible bond – 08 settled through the issuance of 415.7 million ordinary shares of AED 1 each (note 27).

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22 TREASURY SHARES

Treasury shares

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

23 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 issued capital. The reserve is not available for distribution.

Other reserves

	Cumulative changes in fair value of derivatives AED '000	*Cumulative changes in fair value of available for sale investments* AED '000	*Total* AED '000
Balance at 1 January 2010	(79,235)	1,532	(77,703)
Net movement in fair value of derivatives in cash flow hedges	11,795	-	11,795
Share of net changes in fair value of derivatives of associate	(3,836)	-	(3,836)
Net movement in fair value of available for sale investments	-	(1,532)	(1,532)
Balance at 31 December 2010	(71,276)	-	(71,276)
Net movement in fair value of derivatives in cash flow hedges	35,754	-	35,754
Share of net changes in fair value of derivatives of associate in cash flow hedges	(5,635)	-	(5,635)
Balance at 31 December 2011	**(41,157)**	**-**	**(41,157)**

24 CAPITAL REDUCTION RESERVE

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

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

	2011 AED '000	*2010* AED '000
Balance at 1 January	**961,966**	-
Share capital cancelled (970,000,000 shares of AED 1 each)	**-**	970,000
Treasury shares cancelled (8,034,000 shares of AED 1 each)	**-**	(8,034)
Transfer to retained earnings	**(961,966)**	-
Balance at 31 December	**-**	961,966

The Company's Board of Directors resolved to transfer the capital reduction reserve of AED 961,966 thousand to retained earnings.

25 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	***2011 AED '000***	*2010 AED '000*
Term loan 1- Facility A (Note 1)	EIBOR + margin	**820,416**	-
Term loan 1- Facility B (Note 1)	EIBOR + margin	**1,187,378**	-
Term loan 2 (Note 1)	EIBOR + margin	**-**	747,343
Term loan 3 (note 32)	EIBOR + margin	**-**	1,255,000
Term loan 4	EIBOR + margin	**3,000**	6,000
Term loan 5	3%	**8,576**	6,919
Term loan 6	LIBOR + margin	**164,362**	170,809
Term loan 7 (Note 1)	EIBOR + margin	**-**	91,500
Term loan 8 (Note 1)	LIBOR + margin	**-**	128,520
		2,183,732	2,406,091

Analysed in the consolidated statement of financial position as follows:

	2011 AED '000	*2010 AED '000*
Current portion	**72,811**	2,406,091
Non-current portion	**2,110,921**	-
	2,183,732	2,406,091

Note 1 - Restructuring of bank loans

During the year, the existing lenders of the Company unanimously approved to refinance AED 2.6 billion of existing interest bearing loans and borrowings and Islamic financing arrangements (together the "existing loans") and to extend a new AED 150 million revolving facility to the Company.

Refinancing of the existing loans was made in form of term loan facilities A and B comprising of five individual conventional / Islamic tranches, with total amount of AED 1 billion and AED 1.6 billion respectively. Both of these carry an interest / rental rates of EIBOR plus a margin.

The facility A is repayable in 13 equal semi-annual instalments amounting to AED 76.9 million commencing from 31 December 2012 with the last instalment due on 31 March 2019. Facility B is repayable in a bullet payment on 31 March 2019.

After 31 December 2012, the Company is liable to make accelerated repayments of the term facilities under the refinancing agreement, subject to availability of cash at the applicable date.

The new revolving facility of AED 150 million extended to the Group is to be utilised in the form of issuance of documentary credits and drawing cash advances up to an amount of AED 75 million, out of which an amount of AED 90 million (cash advances of AED nil) has been utilised by the Company as of 31 December 2011. The revolving facility carries interest at 0.58% to 1.75% for issuance of documentary credits and EIBOR plus a margin on cash drawings and is repayable on 31 March 2019 with an annual clean down of no more than AED 5 million of cash advances made.

Interest on the above facilities is payable in cash on a quarterly basis. The facilities are secured against plants, equipment and trade debtors.

Term loan 6 relating to a subsidiary borrowing is repayable in 22 semi annual instalments starting 2008.

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25 INTEREST BEARING LOANS AND BORROWINGS continued

Transaction costs on restructuring of interest bearing loans (note 25) and Islamic financing arrangements (note 26) and mandatory convertible bond and subordinated loan facility (note 27) from Mubadala Development Company PJSC amounted to AED 130 million, out of which AED 93 million has been paid during 2011. The total transaction costs have been allocated as follows:

	AED '000
Mandatory convertible bond (note 27)	**29,095**
Subordinated loan facility (note 27)	**18,860**
Interest bearing loans and borrowings and Islamic financing arrangements	**75,054**
Charged to the consolidated income statement in previous year	**7,177**
	130,186

26 ISLAMIC FINANCING ARRANGEMENTS

	Profit charge %	***2011 AED '000***	*2010 AED '000*
Islamic financing arrangement 1 facility A (Note 25)	EIBOR + margin	**148,573**	-
Islamic financing arrangement 1 facility B (Note 25)	EIBOR + margin	**215,041**	-
Islamic financing arrangement 1 facility C (Note 25)	EIBOR + margin	**174,592**	-
Islamic financing arrangement 2 (Note 25)	EIBOR + margin	**-**	923,356
Islamic financing arrangement 3 (Note 25)	EIBOR + margin	**-**	366,932
Islamic financing arrangement 4 (Note 25)	EIBOR + margin	**-**	297,300
Islamic financing arrangement 5 (Note i)	LIBOR + margin	**-**	733,095
		538,206	2,320,683

Analysed in the consolidated statement of financial position as follows:

	2011 AED '000	*2010 AED '000*
Current portion	**11,110**	2,320,683
Non-current portion	**527,096**	-
	538,206	2,320,683

Note i: In July 2011, the Company settled in cash the Sukuk 06 certificates on maturity for AED 734.6 million.

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27 MANDATORY CONVERTIBLE BOND AND SUBORDINATED LOAN FACILITY

During the year the Company received and early repurchased the following equity and debt financing:

	2011		2010	
	Equity component AED '000	Liability component AED '000	Equity component AED '000	Liability component AED '000
Issued during the year:				
Mandatory convertible bond 1	**1,366,135**	**393,447**	-	-
Subordinated loan facility – Tranche A	**545,756**	**150,482**	-	-
Subordinated loan facility – Tranche B	**33,354**	**365,931**	-	-
Repurchased during year:				
Mandatory convertible bond 08	**-**	**-**	1,301,679	262,255
	1,945,245	**909,860**	1,301,679	262,255

Issuance of mandatory convertible bond MCB 1

During 2010, the Company obtained a bridge loan facility of AED 1,700 million from the majority shareholder. As of 31 December 2010, the Company had drawn an amount of AED 1,255 million (note 25) and remaining amount of AED 445,000 thousand was drawn during 2011 increasing the utilised portion of the facility to AED 1,700,000 as of 31 March 2011. The Company settled the bridge loan on 1 April 2011, by issuing a mandatory convertible bond ("the bond") in the form of trust certificates for a total value of AED 1,700 million, maturing in March 2019.

The bond carries interest at a fixed rate of 6% per annum, to be settled in kind by compounding into the principal amount on annual basis during the period from inception to 31 December 2012, and carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The bond shall be converted into ordinary shares of the Company based on an exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

Transaction costs in connection with the issuance of the bond at inception amounted to AED 29.1 million.

The liability component of the bond of AED 381.3 million (net of allocated transaction costs of AED 6.6 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds from the bond amounting to AED 1,289.6 million (net of allocated transaction costs of AED 22.5 million) has been recognised as the equity component of the bond and adjusted for the settlement in kind of the coupon.

Drawdowns on subordinated loan facility

On 1 April 2011, the Group secured AED 3.1 billion of new, committed long term capital from Mubadala Development PJSC. AED 1.7 billion of the facilities is in the form of issuance of the above mandatory bond (MCB1) to settle AED 1.7 billion interest bearing loan.

AED 1.4 billion of the above facilities is in the form of a subordinated loan facility (Tranche A and Tranche B), maturing on 31 December 2012 and carrying a fixed interest rate of 2% per annum, to be settled in kind by compounding into the principal amount on a semi annual basis. The Company has drawn down an amount of AED 702 million from Tranche A and an amount of AED 400 million from Tranche B as of 31 December 2011. Undrawn balance of subordinated loan facility as of 31 December 2011 amounted to AED 298 million. The facility is available for drawdown to the Company till its maturity in 31 December 2012.

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27 MANDATORY CONVERTIBLE BOND AND SUBORDINATED LOAN FACILITY continued

Drawdowns on subordinated loan facility continued

Tranche A of the facility along with the coupon in kind compounded into the principal amount will be rolled into a mandatory convertible bond (MCB-2) at its maturity.

MCB-2 carries a cash coupon of 4% per annum from 1 January 2013 to 31 March 2019, payable in arrears on a quarterly basis and will be converted into ordinary shares of the Company based on an exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

The liability component of the Tranche A of AED 148.4 million (net of allocated transaction costs of AED 2.6 million) represents present value of cash coupon payable on MCB 2 during the period from 1 January 2013 till maturity, discounted at a market rate of 4% which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds from the Tranche A amounting to AED 541.5 million (net of allocated transaction costs of AED 9.4 million) has been recognised as the equity component of the Tranche A.

Tranche B carries a fixed rate of 2% per annum, to be settled in kind by compounding into the principal amount on half yearly basis during the period from inception to 31 December 2012. Subject to the Group's liquidity position as at 1 January 2014 and as at 1 January 2015, Tranche B will be settled in cash in two equal instalments on these dates. Unsettled balance of Tranche B as of 1 January 2015, if any, will be rolled into MCB-2.

Accordingly, liability component of Tranche B of AED 359.8 million (net of allocated transaction costs of AED 6.3 million) represents present value of repayments, discounted at a market rate of borrowings with similar terms and conditions.

The remainder of the proceeds from the Tranche B represents the interest free period from 1 January 2013 till maturity amounting to AED 33.3 million (net of allocated transaction costs of AED 0.6 million) at inception, and has been recognised as the equity component.

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

	Mandatory convertible bond (MCB 1)		
	Liability component AED '000	Equity component AED '000	Total AED '000
Present value of annual coupon payments	**387,909**	**-**	**387,909**
Equity component	**-**	**1,312,091**	**1,312,091**
Allocated prepaid transaction costs	**(6,639)**	**(22,456)**	**(29,095)**
On inception	**381,270**	**1,289,635**	**1,670,905**
Accretion expense	**11,580**	**-**	**11,580**
Amortisation of transaction costs	**597**	**-**	**597**
Coupon settled in kind	**-**	**76,500**	**76,500**
Balance at 31 December 2011	**393,447**	**1,366,135**	**1,759,582**

27 MANDATORY CONVERTIBLE BOND AND SUBORDINATED LOAN FACILITY continued

	Subordinated loan facility – Tranche A		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Present value of annual coupon payments	**151,041**	**-**	**151,041**
Equity component	**-**	**550,959**	**550,959**
Allocated prepaid transaction costs	**(2,585)**	**(9,429)**	**(12,014)**
On inception	**148,456**	**541,530**	**689,986**
Accretion expense	**1,794**	**-**	**1,794**
Amortisation of transaction costs	**232**	**-**	**232**
Coupon settled in kind	**-**	**4,226**	**4,226**
Balance at 31 December 2011	**150,482**	**545,756**	**696,238**

	Subordinated loan facility – Tranche B		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Present value of principal payments	**366,065**	**-**	**366,065**
Equity component	**-**	**33,935**	**33,935**
Allocated prepaid transaction costs	**(6,265)**	**(581)**	**(6,846)**
On inception	**359,800**	**33,354**	**393,154**
Accretion expense	**5,568**	**-**	**5,568**
Amortisation of transaction costs	**563**	**-**	**563**
Balance at 31 December 2011	**365,931**	**33,354**	**399,285**
Total balance of MCB1 and SBL at 31 December 2011	**909,860**	**1,945,245**	**2,855,105**

The liability components of MCB1, SBL A and SBL B are due for repayment after one year from the date of statement of financial position.

Repurchase of mandatory convertible bond 08

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.

During the year, the Company repurchased its mandatory convertible bond (MCB 08) before the original maturity of the bond on 19 May 2011, and settled the outstanding coupon on that date through delivery of 415,683,447 shares with face value of AED 1 each. (note 21)

This resulted in the extinguishment of MCB 08 - liability component and derivative liability amounting to AED 259.2 million and the equity component of AED 1,301.7 million as at the date of repurchase, with a corresponding increase in the share capital of AED 415.7 million and recognition of 'other reserve' amounting to AED 1,145.2 million, representing the difference between the total of liability and equity components extinguished and shares issued. The movement in fair value of the associated derivative liability from 1 January 2011 to repurchase date was taken to the income statement.

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28 OBLIGATIONS UNDER FINANCE LEASE

During 2006, the Company entered into a sale and lease back agreement with a third party relating to certain plants (note 11) for an amount of AED 55.8 million. The lease carries interest at an effective rate of 9.5% per annum and is repayable in monthly instalments over a period of 12 years.

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

	2011		*2010*	
	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	**12,254**	**7,069**	20,000	11,019
	50,997	**37,817**	58,743	41,767
Less: amounts representing finance charges	**(13,180)**	**-**	(16,976)	-
Present value of minimum lease payments	**37,817**	**37,817**	41,767	41,767

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

	2011 AED '000	*2010 AED '000*
Current	**7,364**	7,364
Non-current	**30,453**	34,403
	37,817	41,767

29 EMPLOYEES' END OF SERVICE BENEFITS

The Company provides for employees' end of service benefits in respect of its expatriate employees in accordance with the employees' contracts of employment. The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2011 AED '000	*2010 AED '000*
Balance at 1 January	**14,971**	13,923
Net movement during the year	**2,119**	1,048
Balance at 31 December	**17,090**	14,971

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30 ACCOUNTS PAYABLE AND ACCRUALS

	2011 *AED '000*	*2010* *AED '000*
Non-current liabilities		
Retentions payable for capital expenditure	**13,233**	33,605
Retentions payable for non-capital expenditure	**4,851**	8,641
Other payables	**23,378**	23,378
	28,229	32,019
	41,462	65,624
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**127,976**	28,394
Due to a related party – joint venture (note 32)	-	172,012
Accrued expenses and provisions	**162,709**	301,152
	290,685	501,558
Others:		
Accounts payable	**68,607**	91,800
Due to related parties – associates (note 32)	**33,241**	35,285
Accrued expenses	**119,680**	233,809
Other payables	**189,290**	183,244
	410,818	544,138
	701,503	1,045,696

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 32.

31 ADVANCES FROM A RELATED PARTY

This represents advance received from a customer relating to funding support for the construction of property, plant and equipment (note 32). The advance is expected to be repaid / settled in 2012.

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32 RELATED PARTY TRANSACTIONS

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

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

	2011				2010			
	Revenue AED'000	***Operating costs AED'000***	***Interest expense AED'000***	***Other income AED'000***	*Revenue AED'000*	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*
Associated companies	**-**	**89,904**	**-**	**4,262**	-	89,834	-	4,332
Joint venture	**610**	**-**	**-**	**-**	8,401	-	-	385
Majority shareholder	**32,864**	**-**	**40,333**	**-**	76,874	-	46,342	-
Associate of a majority shareholder	**106,299**	**-**	**-**	**-**	81,680	-	-	-

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

	2011				2010			
	Loan receivable AED '000	***Mandatory convertible bond and subordinated loan facility AED '000***	***Accounts receivable AED '000***	***Accounts payables and advances AED '000***	*Loan receivable AED '000*	*Interest bearing loans and borrowings AED '000*	*Accounts receivable AED '000*	*Accounts payables and advances AED '000*
Associated companies	**3,662**	**-**	**19,724**	**33,241**	25,444	-	9,951	35,285
Joint venture	**56,544**	**-**	**5,058**	**-**	56,544	-	70,653	172,012
Majority shareholder (i)	**-**	**2,855,105**	**-**	**-**	-	1,255,000	-	-
Associate of a majority shareholder	**-**	**-**	**257,338**	**400,000**	-	-	-	-
	60,206	**2,855,105**	**282,120**	**433,241**	81,988	1,255,000	80,604	207,297

(i) Refer note 27 for details.

Terms and conditions of transactions with related parties

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

	Terms and conditions	***2011 AED '000***	*2010 AED '000*
Loan to an associate	Interest bearing, unsecured, settlement in cash	**3,662**	25,444
Loan to a joint venture	Interest free, unsecured, settlement in cash	**56,544**	56,544
Mandatory convertible bond 1	Interest bearing, unsecured, settled in kind	**1,759,582**	-
Subordinated loan facility A	Interest bearing, unsecured, settled in kind	**696,238**	-
Subordinated loan facility B	Interest bearing, unsecured, settled in cash	**399,285**	-
Accounts receivable	Interest free, unsecured, settled in cash	**282,120**	80,604
Accounts payable	Interest free, unsecured, settled in cash	**33,241**	207,297
Advance from a related party	Interest free, unsecured, settled in cash	**400,000**	-

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, no impairment was recorded (2010: AED nil) relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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32 RELATED PARTY TRANSACTIONS continued

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

	2011 AED '000	*2010 AED '000*
Short-term benefits	**17,085**	20,117
Employees' end of service benefits	**944**	881
	18,029	20,998
Number of key management personnel	**18**	21

33 CONTINGENCIES

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

	2011 AED '000	*2010 AED '000*
Performance guarantees	**103,686**	112,182
Advance payment guarantees	**11,351**	13,705
Financial guarantees	**8,925**	9,982
	123,962	135,869

The Company's share of contingencies of associates as of 31 December 2011 amounted AED 7 million (2010: AED 7.3 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

34 COMMITMENTS

Capital commitments
The authorised future capital expenditure contracted for at 31 December 2011 but not provided for amounted to AED 157 million (2010: AED 606 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2011 amounted to AED 57.8 million (2010: AED 153.8 million).

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

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

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34 COMMITMENTS continued

Operating lease commitments – lessor continued
Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2011 AED '000	*2010 AED '000*
Within one year	**181,442**	147,907
After one year but not more than five years	**1,317,040**	1,257,354
More than five years	**2,861,306**	2,641,976
	4,359,788	4,047,237

Included in above commitments is an amount of AED 1,530 million relating to a related party.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

It is, and has been throughout 2011 and 2010 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk
Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

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

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2011 and 2010.

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

- The statement of financial position sensitivity relates to derivatives instruments.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2011 and 2010 including the effect of hedge accounting.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Interest rate risk

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

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

To manage the risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 64% of the Group's borrowings are at a fixed rate of interest (2010: 35%).

Interest rate sensitivity

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

	Effect on profit AED '000
2011	
+100 increase in basis points	**(8,897)**
-100 decrease in basis points	**8,897**
2010	
+100 increase in basis points	(20,891)
-100 decrease in basis points	20,891

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

Foreign currency risk

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

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

Credit risk

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

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in notes 17 and 18. The Group's three largest customers including a related party account for approximately 68% of outstanding trade and related party receivable balances at 31 December 2011 (2010: 3 customers - 57%). Amounts due in respect of finance lease receivable are from two customers (2010: two customers).

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35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk continued

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (eg, accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

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

At 31 December 2011, the Group had utilised its interest bearing loans and borrowings, Islamic financial arrangements, subordinated loan facility - Tranche B and mandatory convertible bond 1. The Group had unutilised subordinated loan facility - Tranche A of AED 298 million and revolving facility of AED 60 million as of 31 December 2011.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2011 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 2011						
Derivative financial instruments	**-**	**3,731**	**19,088**	**40,395**	**-**	**63,214**
Mandatory convertible bond and subordinated Loan facility – liability component	**-**	**-**	**-**	**827,770**	**234,319**	**1,062,089**
Interest bearing loans and borrowings	**-**	**18,673**	**128,192**	**870,497**	**1,701,894**	**2,719,256**
Obligations under finance leases	**-**	**1,937**	**5,812**	**30,994**	**12,254**	**50,997**
Islamic financing arrangements	**-**	**5,633**	**30,596**	**204,996**	**522,829**	**764,054**
Accounts and retention payable, due to related parties and other financial liabilities	**-**	**273,037**	**397,663**	**18,084**	**-**	**688,784**
	-	**303,011**	**581,351**	**1,992,736**	**2,471,296**	**5,348,394**
At 31 December 2010						
Derivative financial instruments	-	45,083	56,971	7,201	-	109,255
Mandatory convertible bond – liability component	123,250	-	123,250	-	-	246,500
Interest bearing loans and borrowings	2,408,783	12,049	122,772	62,599	31,263	2,637,466
Obligations under finance leases	-	1,937	5,812	30,994	20,000	58,743
Islamic financing arrangements	2,342,600	35,853	38,023	148,263	108,549	2,673,288
Accounts and retention payable, due to related parties and other financial liabilities	-	391,015	483,616	42,246	-	916,877
Bank overdraft	53,717	-	-	-	-	53,717
	4,928,350	485,937	830,444	291,303	159,812	6,695,846

Capital management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management continued

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

	2011 AED '000	*2010 AED '000*
Interest bearing loans and borrowings	**2,183,732**	2,406,091
Islamic financing arrangements	**538,206**	2,320,683
Mandatory convertible bond and subordinated loan facility – liability component	**909,860**	262,255
Obligation under finance lease	**37,817**	41,767
	3,669,615	5,030,796
Less: cash and cash equivalents	**(511,997)**	(308,098)
Net debt	**3,157,618**	4,722,698
Equity	**3,821,692**	1,487,730
Adjustment for cumulative changes in fair values of derivatives and available for sale investments	**41,157**	71,276
Total capital	**3,862,849**	1,559,006
Capital and net debt	**7,020,467**	6,281,704
Gearing ratio	**45%**	75%

The decrease in the gearing ratio is mainly attributable to new equity funds injected by the majority shareholder in the form of mandatory convertible bonds and subordinated loan facility carrying equity components.

36 FINANCIAL INSTRUMENTS

Fair values

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

	Carrying amount		*Fair value*	
	2011 AED '000	*2010 AED '000*	***2011 AED '000***	*2010 AED '000*
Finance lease receivable	**1,726,115**	1,276,495	**1,712,668**	1,500,321
Obligations under finance lease	**37,817**	41,767	**49,252**	40,395
Mandatory convertible bond and subordinated loan facility – liability component	**909,860**	262,255	**928,924**	262,255

36 FINANCIAL INSTRUMENTS continued

Fair value hierarchy

As at 31 December 2011 and 2010, the Group held the following financial instruments measured at fair value.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2011				*2010*			
	31 December 2011 AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	*31 December 2010 AED '000*	*Level 1 AED '000*	*Level 2 AED '000*	*Level 3 AED '000*
Assets measured at fair value								
Interest rate swaps	**13,075**	-	**13,075**	-	2,282	-	2,282	-
Liabilities measured at fair value								
Derivatives - Mandatory convertible bonds	-	-	-	-	18,600	-	18,600	-
Interest rate swaps	**58,008**	-	**58,008**	-	76,000	-	76,000	-

During the reporting periods ended 31 December 2011 and 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Hedging activities

Cash flow hedges

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

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings and Islamic financing arrangements, the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 2,174,914 thousand as at 31 December 2011 (2010: AED 1,783,280 thousand).

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

	Within 1 year AED '000	*1–3 years AED '000*	*3–8 years AED '000*	*Total AED '000*
2011:				
Cash inflows (assets)	**1,364**	**3,043**	-	**4,407**
Cash outflows (liabilities)	**(24,183)**	**(35,685)**	**(7,753)**	**(67,621)**
Net cash outflow	**(22,819)**	**(32,642)**	**(7,753)**	**(63,214)**
2010:				
Cash inflows (assets)	912	1,370	-	2,282
Cash outflows (liabilities)	(45,995)	(39,741)	(7,201)	(92,937)
Net cash outflow	(45,083)	(38,371)	(7,201)	(90,655)

All derivative contracts are with counterparty banks in UAE.

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