IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached Prospectus accessed from this page received as a result of such access or scheduled hereto and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing and/or reading the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access or reading.

Confirmation of your Representation: You have accessed and/or read the attached Prospectus on the basis that you have confirmed to Morgan Stanley & Co. International plc ("Morgan Stanley") or National Bank of Abu Dhabi P.J.S.C. ("NBAD") or Standard Chartered Bank ("SCB" and together with Morgan Stanley and NBAD, the "Joint Lead Managers"), being the sender of the attached, that (i) the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States and the District of Columbia (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (ii) you consent to delivery by electronic transmission.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of Tabreed 08 Financing Corporation (the "Issuer") or National Central Cooling Company (Tabreed) PJSC ("Tabreed") or any of the Joint Lead Managers and any person who controls them or any director, officer, employee or agent of the Issuer or Tabreed or any of the Joint Lead Managers or any person who controls them or any affiliate of any of the foregoing accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and any hard copy version available to you.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

Restrictions: Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Any securities to be issued will not be registered under the Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act) unless registered under the Securities Act or pursuant to an exemption from such registration.

The attached Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever and, in particular, may not be forwarded to any U.S. person or to any U.S. address. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The attached Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer or Tabreed.

Prospectus dated 14 May 2008

TABREED 08 FINANCING CORPORATION

(incorporated in the Cayman Islands with limited liability)

AED1,700,000,000
Trust Certificates due 2011

Issue Price 100 per cent.

The AED1,700,000,000 Trust Certificates due 2011 (the "Certificates") will be issued by Tabreed 08 Financing Corporation (the "Issuer"), a special purpose exempted limited company incorporated in the Cayman Islands, and will be constituted by a declaration of trust (the "Declaration of Trust") dated on or about 19 May 2008 (the "Closing Date") entered into by, the Issuer, in its capacity as trustee (the "Trustee"), National Central Cooling Company (Tabreed) PJSC ("Tabreed" or the "Company") and BNY Corporate Trustee Services Limited (the "Delegate"). Pursuant to the Declaration of Trust, the Issuer will declare that it will hold certain assets, primarily consisting of machinery, equipment, certain investments, and rights under certain agreements, upon trust absolutely for the holders of the Certificates pro rata according to the face amount of Certificates held by each Certificateholder (as defined herein) in accordance with the Declaration of Trust and the terms and conditions of the Certificates.

On the 19th day of each May, or, if any such day is not a Business Day (as defined herein), the following Business Day, unless it would thereby fall into the next calendar month, in which event such day should be the immediately preceding Business Day, commencing on 19 May 2009 (each, an "Annual Distribution Date"), Certificateholders can expect to receive, from proceeds received from and in respect of the Trust Assets (as defined herein), an annual distribution equal to 7.25 per cent. per annum (the "Annual Distribution Rate"). The Annual Distribution Rate will be calculated on the outstanding face amount of the Certificates as at the beginning of the relevant Annual Distribution Period (as defined herein) on a 30/360 basis Payments on the Certificates will be made in dirham without deduction for or on account of any Cayman Islands and/or United Arab Emirates ("UAE" and/or "Emirates") withholding taxes and the Issuer will, subject to certain limited exceptions described in the terms and conditions of the Certificates, pay additional amounts if any such taxes are imposed. See "Terms and Conditions of the Certificates — Taxation".

The Certificates may be redeemed at the option of the Issuer in whole by delivery of Shares (as defined herein) in the event of certain changes in taxation, subject to the right of each Certificateholder to elect not to have its Certificates redeemed and thereafter to receive payments in respect of its Certificates subject to any deduction or withholding on account of any Relevant Jurisdiction (as defined herein). In respect of any such Tax Exchange Event (as defined herein), Tabreed shall deliver a number of Shares (as defined herein) determined by dividing the outstanding face amount of each Certificate to be exchanged at the Maximum Exchange Ratio (as defined herein). See "Terms and Conditions of the Certificates — Tax Exchange".

In the case of Voluntary Exchange following a Change of Control (as defined herein) or a Mandatory Exchange following a Tax Exchange Event, amounts will accrue from the latest Annual Distribution Date up to (but excluding) the Change of Control Exercise Date (as defined herein) or the Tax Exchange Date (as defined herein) as applicable, and in such circumstances the Issuer shall deliver shares and Dividend Shares (as defined herein) if any and pay any outstanding accrued Annual Distribution Amounts, Dividend Amounts (as defined herein) if any and the Supplementary Amount (as defined herein) in respect of that Certificate to the relevant Certificateholder. No further amounts will accrue or be payable on any Certificate from and including its due date for exchange. See "Terms and Conditions of the Certificates — Annual Distribution".

In respect of any such Change of Control Exchange Right (as defined herein), Tabreed shall deliver a number of Shares (as defined herein) determined by dividing the then outstanding face amount of each Certificate to be exchanged at the Maximum Exchange Ratio. See "Terms and Conditions of the Certificates — Redemption — Voluntary Exchange Right following a Change of Control".

Unless previously exchanged or redeemed in accordance with the Conditions (as defined herein), each Certificate will be mandatorily exchanged on 19 May 2011 (the "Maturity Date") at the Maturity Exchange Ratio (as defined herein). See "Terms and Conditions of the Certificates — Redemption — Mandatory Redemption".

The existing shares of Tabreed (the "Shares") are listed on the Dubai Financial Market (the "DFM") with ISIN number AE0005802600. In order to serve a valid Exercise Notice (as defined herein) and receive Shares on the corresponding Change of Control Exchange Date, or Tax Exchange Date or the Maturity Date (each as defined herein), a Certificateholder will be required to have opened an account with the Clearing, Depositary & Settlement Department of the DFM and have obtained a DFM Investor Number (as described herein).

The Certificates will constitute limited recourse obligations of the Issuer. See "Terms and Conditions of the Certificates — Status — Limited Recourse".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for the Certificates to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Certificates to be admitted to trading on the London Stock Exchange's Regulated Market (the "Market"). The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

The Certificates are rated BB by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

None of the Certificates or the Shares to be delivered upon exchange of the Certificates have been or will be registered under the United States Securities Act of 1933 (the Securities Act") or with any securities regulatory authority of any other jurisdiction. The Certificates are being offered and sold in offshore transactions outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act and, except in a transaction exempt from the registration requirements of the Securities Act, may not be offered, sold or delivered within the United States or to or for the benefit of U.S. persons.

Delivery of the Certificates in book entry form will be made on the Closing Date. The Certificates will be issued in registered form in minimum denominations of AED500,000 and integral multiples of AED10,000 in excess thereof. Certificates will be represented at all times by interests in a global registered certificate (the "Global Certificate"), deposited on or about the Closing Date with The Bank of New York as common depositary (the "Common Depositary") for, and requested in the name of a nominee for, Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive certificates evidencing holdings of interests in the Certificates will only be issued in exchange for interests in the Global Certificate in certain limited circumstances described herein.

Sole Bookrunner and Sole Structuring Agent

MORGAN STANLEY

Joint Lead Managers

MORGAN STANLEY ***NATIONAL BANK OF ABU DHABI*** ***STANDARD CHARTERED BANK***

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, Tabreed, Tabreed and its subsidiaries and affiliates taken as a whole (the "Group") and the Certificates which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, Tabreed and the Group. The Issuer and Tabreed accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the Issuer, Tabreed nor any of the Joint Lead Managers has authorised the making or provision of any representation or information regarding the Issuer and Tabreed or the Certificates other than as contained in this Prospectus or as approved for such purpose by the Issuer and Tabreed or any of the Joint Lead Managers. Any such representation or information should not be relied upon as having been authorised by the Issuer and Tabreed or the Joint Lead Managers (as defined under "Subscription and Sale"). The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Certificate shall in any circumstance create any implication that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the condition (financial or otherwise) of Tabreed and the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe or purchase, any of the Certificates. The distribution of this Prospectus and the offering of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of further restrictions on offers and sales of Certificates and distribution of this Prospectus, see "Subscription and Sale".

The Joint Lead Managers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or any of them as to the accuracy or completeness of the information contained in this Prospectus or of any other information provided by the Issuer or Tabreed in connection with the Certificates.

In connection with the issue of the Certificates, Morgan Stanley & Co. International plc (the "Stabilising Manager") or any person acting on behalf of the Stabilising Manager may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Certificates is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Closing Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of it) in accordance with all applicable laws and rules.

Notice to United Kingdom residents

The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 ("FSMA")) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Services Authority (the "FSA"). Accordingly, this Prospectus is not being distributed to, or promoted to and must not be passed on to persons in the United Kingdom by any person authorised under the FSMA except in circumstances which could not constitute a contravention of Section 21 of the FSMA.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order"), (ii) overseas recipients under Article 12(1)(a) of the Financial Promotion Order and (iii) persons falling within any of the categories of persons described in Article 49 (*High net worth companies, unincorporated associations, etc.*) of the Financial Promotion Order and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "Promotion of CISs Order"), (ii) overseas recipients under Article 8(1)(a) of the Promotion of CISs Order, (iii) persons falling within any of the categories of person described in Article 22 (*High net worth companies, unincorporated associations, etc.*) of the Promotion of CISs Order and (iv) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

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

The contents of this Prospectus as amended or supplemented from time to time have not been approved by an authorised person in accordance with the rules of the FSA.

Individuals intending to invest in any investment described in this Prospectus should consult their professional advisers and ensure that they fully understand all risks associated with making such an investment and have sufficient financial resources to sustain any loss that may arise from it.

Notice to Cayman Islands Residents

No invitation may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Unless otherwise indicated, the financial information herein has been derived from the audited consolidated financial statements of Tabreed for the three years ended 31 December 2007 (the "Audited Accounts" or the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, and relevant federal laws of the UAE, consistently applied.

Certain Defined Terms and Conventions

References to "Abu Dhabi" herein are references to the Emirate of Abu Dhabi; references to "Dubai" herein are references to the Emirate of Dubai; and references to the "UAE" herein are to the United Arab Emirates. Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. All references in this Prospectus to "U.S. dollars", "U.S.$" and "$" refer to United States dollars being the legal currency for the time being of the United States of America, all references to "£" refer to United Kingdom sterling being the legal currency for the time being of the United Kingdom of Great Britain and Northern Ireland and all references to "dirham" and "AED" refer to United Arab Emirates dirham being the legal currency for the time being of the United Arab Emirates. The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.$1.00.

Certain Publicly Available Information

Certain statistical data and other information appearing in this Prospectus have been extracted from public sources. Neither the Issuer nor Tabreed accepts responsibility for the factual correctness of any such statistics or information but the Issuer and Tabreed accept responsibility for accurately extracting and transcribing such statistics and information and believe, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at and for the periods with respect to which they have been presented and do not omit anything which would render the reproduced information inaccurate or misleading.

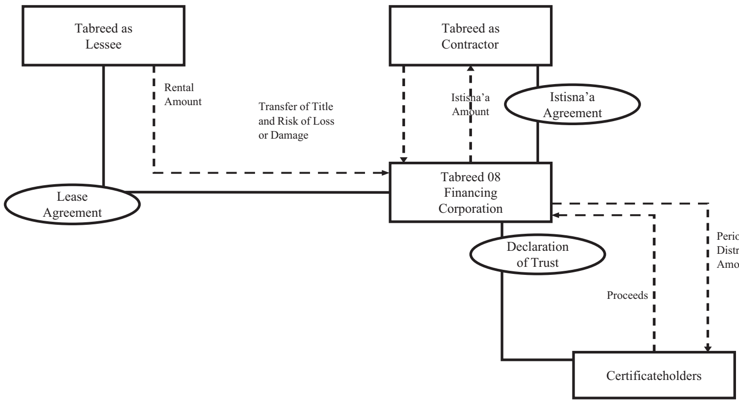
SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

Tabreed is incorporated in the UAE and all of its operations and assets are located outside the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United Kingdom upon Tabreed or to enforce against it, in courts located in the United Kingdom, judgments obtained in courts located in the United Kingdom.

Currently, all of Tabreed's assets are located in the UAE and elsewhere in the Gulf Cooperation Council ("GCC"). The Emirate of Dubai's courts or the Emirate of Abu Dhabi's courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws and public policy of Dubai and Abu Dhabi. Moreover, judicial precedent in the UAE has no binding effect on subsequent decisions and there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in certain other jurisdictions.

STRUCTURE DIAGRAM AND CASHFLOWS

Structure Diagram



Cash Flows

Set out below is a simplified description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below:

Payments by the Certificateholders and the Issuer

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates to the Issuer and the Issuer will pay AED1,700,000,000 to Tabreed in respect of the transfer to the Issuer of the title and risk of loss or damage to Cooling Asset A (having a book value as at the Closing Date representing not less than 33 per cent. of the issue price) by Tabreed on the Closing Date and the transfer to the Issuer of the title and risk of loss or damage to Cooling Asset B or parts thereof by Tabreed from time to time.

Periodic Payments by Tabreed

Upon transfer to the Issuer of the title and risk of loss or damage to Cooling Asset A, the Issuer will lease Cooling Asset A to Tabreed in accordance with the terms of the Lease Agreement. The Lease Agreement will also provide for the lease of Cooling Asset B or parts thereof from time to time upon transfer of the title to and risk of loss or damage in Cooling Asset B or parts thereof to the Issuer.

Pursuant to the Lease Agreement, on each Annual Distribution Date, Tabreed will pay the Issuer rental for the Cooling Assets leased to it by the Issuer which will fund the Annual Distribution Amounts payable by the Issuer under the Certificates. However, Tabreed shall only be obliged to pay such amounts provided that the Subordination Conditions are satisfied as of that date. To the extent that a Total Loss Event occurs, Tabreed shall be obliged, in consideration for and subject to the obligation of the Issuer to pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event, to sell to the Issuer further Cooling Assets or other Sharia compliant assets (the "Further Parts") having a value equal to the outstanding face amount of the Certificates and with an expected profit equal to, or exceeding, the Rental Amount payable in accordance with the terms of the Lease Agreement. In consideration for such sale, the Issuer shall procure that the Service Agent pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event to Tabreed.

Dissolution Payments

The Trustee will have the right to require Tabreed to purchase all of the Cooling Assets delivered to the Trustee under the Istisna'a Agreement (as may be substituted in accordance with the terms of the Lease Agreement from time to time) on any relevant Redemption Date against delivery by Tabreed to the Issuer of a specified number of Shares (or any applicable cash amount) to enable the Issuer to fulfil its obligations under the Certificates.

The Certificates may be redeemed earlier for a number of reasons. In the case of a redemption following an Insolvency Dissolution Event (as defined in Condition 12) only, the amount payable by the Issuer shall be funded by the Trustee selling all of the Cooling Assets delivered to it under the Istisna'a Agreement to Tabreed against payment by Tabreed of the Dissolution Amount in cash in dirham, but only if Subordination Conditions have been satisfied (in accordance with and as defined in the Purchase Undertaking). In the case of redemption following a

Dissolution Event (as defined in Condition 12) other than an Insolvency Dissolution Event, or a Change of Control Event, the Trustee's obligations to deliver Shares and make certain payments (provided that the Subordination Conditions have been satisfied) to Certificateholders shall be performed by Tabreed issuing, alloting and delivering the relevant number of Shares and making such payments against purchase by Tabreed of all or part of the Cooling Assets delivered by it pursuant to the Istisna'a Agreement in accordance with the terms of the Purchase Undertakings or the Sale Undertaking as the case may be.

Payments of cash amounts by Tabreed to the Issuer are subordinated in right of payment to the claims of all Senior Creditors of Tabreed and, accordingly, payments of cash amounts by Tabreed to the Issuer under the Transaction Documents are conditional upon Tabreed being Solvent at the time such payment is due and no cash payment shall be payable by Tabreed to the Issuer under the Transaction Documents if Tabreed, having made such payments, would not be able to pay its Senior Creditors in full.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements give the current expectations and projections of the management of Tabreed relating to Tabreed's financial condition, results of operations, plans, objectives, future performance and business. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate", "estimate", "expect", "project", "plan", "intend", "believe" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

These forward-looking statements are based on assumptions that the management of Tabreed have made in light of their experience in the industry in which they operate, as well as their perceptions of historical trends, current conditions, expected future developments and other facts which they believe are appropriate under the circumstances. These forward-looking statements have not been independently verified by any third party. Potential investors should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (some of which are beyond the control of the management of Tabreed) and assumptions. Although the management of Tabreed believe that these forward-looking statements are based on reasonable assumptions, potential investors should be aware that many factors could affect Tabreed's actual financial condition or results of operations and cause actual results to differ materially from those in the forward-looking statements. These facts include, among other things, those discussed under the section headed "Risk Factors" in this Prospectus.

Because of these factors, the management of Tabreed caution that potential investors should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible to predict these events or how they may affect Tabreed. Except as required by law, the management of Tabreed have no duty to, and do not intend to, update or revise the forward-looking statements in this Prospectus after the date of this Prospectus.

OVERVIEW OF THE OFFERING

The following is an overview of the principal features of the Certificates, including a description of the Trust Assets and the Transaction Documents. This overview does not contain all of the information that potential investors should consider before investing in the Certificates. Potential investors should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

Reference to a "Condition" is to a numbered condition of the "Terms and Conditions of the Certificates".

Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of the Certificates against the Issuer (in its capacity as Trustee) in any circumstances whatsoever or against the Trust, to the extent the Trust Assets have been exhausted, following which all obligations of the Issuer, as issuer and in its capacity as Trustee, and the Trust, shall be extinguished.

Certificateholders should note that through a combination of the Istisna'a Agreement, the Lease Agreement and the Purchase Undertaking the ability of the Issuer to pay the amounts due in respect of the Certificates will ultimately depend on Tabreed. See "Risk Factors" for further information.

A description of Tabreed is included within this Prospectus under "National Central Cooling Company (Tabreed) PJSC" below.

The Trust Assets, the Istisna'a Agreement, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking (each as detailed below) and the other Transaction Documents (as detailed below) are described in more detail in the descriptions of the Parties and the Summary of the Certificates below.

Parties

Issuer	Tabreed 08 Financing Corporation (the "Issuer"), a special purpose exempted limited company incorporated in the Cayman Islands in accordance with the Companies Law (2007 Revision), which was incorporated on 13 March 2008 to participate in the transactions contemplated by the Transaction Documents.
Ownership of the Issuer	The authorised share capital of the Issuer is U.S.$1,000, of which 1,000 ordinary shares of par value of U.S.$1.00 have each been issued. The Issuer's ordinary shares are held by Walkers SPV Limited, whose registered office is at Walker House, 87 Mary Street, George Town, KY1-9002, Grand Cayman, Cayman Islands on trust for charitable purposes, pursuant to a charitable purpose trust with respect to the Shares.
Administration of the Issuer	Walkers SPV Limited a licensed trust company in the Cayman Islands (the "Issuer Administrator"), will provide, corporate administration services, provision of director services for and on behalf of the Issuer pursuant to the Corporate Services Agreement dated 28 April 2008 between, *inter alia,* the Issuer and the Issuer Administrator (the "Corporate Services Agreement").
Contractor	National Central Cooling Company (Tabreed) PJSC (the "Contractor"), a public joint stock company incorporated in the United Arab Emirates (trading under the commercial name of "Tabreed"), will procure the construction, manufacturing and delivery to the Issuer of the Cooling Assets (as defined below) pursuant to the Istisna'a Agreement.
Lessee	Tabreed will lease the Delivered Cooling Assets (as defined below) from the Issuer on the terms set out in the Lease Agreement for a period commencing on the date of delivery of each Cooling Asset or part thereof under the Istisna'a Agreement and terminating on the Maturity Date unless the aggregate principal amount of outstanding Certificates are exchanged on any earlier applicable Redemption Date and the Trust (as defined below) is dissolved as described herein.

Trustee	The Issuer will act as trustee (in such capacity, the "Trustee", which expression shall include the Delegate referred to below) in respect of the Trust Assets for the benefit of the Certificateholders in accordance with the Declaration of Trust. Pursuant to the Declaration of Trust, the Trustee will hold the Trust Assets (as defined below) for and on behalf of the Certificateholders. Under the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate authority to BNY Corporate Trustee Services Limited (the "Delegate") to take all necessary actions on its behalf.
Sole Bookrunner and Sole Structuring Agent	Morgan Stanley & Co. International plc
Joint Lead Managers	Morgan Stanley & Co. International plc, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank
Delegate	BNY Corporate Trustee Services Limited
Principal Paying and Exchange Agent, Payment Administrator, Calculation Agent, Replacement Agent and Transfer Agent ("Agents")	The Bank of New York
Registrar	The Bank of New York (Luxembourg) S.A.
Summary of the Certificates	
Amount	AED1,700,000,000 Trust Certificates due 2011, subject to the Over-allotment Option (as defined below).
Closing Date	19 May 2008 or such other date as may be agreed by the Issuer, Tabreed and the Joint Lead Managers pursuant to the Subscription Agreement (as defined below).
Maturity Date	19 May 2011
Issue Price	100 per cent. of the aggregate face amount of the Certificates.
Status	Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets and will rank *pari passu*, without any preference, with the other Certificates. The Certificates will be limited recourse obligations of the Issuer.
Annual Distribution Dates	The 19th day of May (each an "Annual Distribution Date"), or, if any such day is not a Business Day, the following Business Day unless it would thereby fall into the next calendar month, in which event such day shall be the immediately preceding Business Day. The first Annual Distribution Date shall fall on 19 May 2009. "Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business in Dubai and London.
Annual Distributions	On each Annual Distribution Date, Certificateholders will receive from moneys received in respect of the Trust Assets (a) in respect of each Annual Distribution Period (as defined in Condition 21), an amount equal to the product of (i) the Annual Distribution Rate and (ii) the Aggregate Face Amount (as defined in Condition 21) (as of the final day of such Annual Distribution Period) and (b) in respect of each Annual Distribution Period which ends on a Redemption Date which is not an Annual Distribution Date, an amount equal to the product of (i) the Annual Distribution Rate and (ii) the Aggregate Face Amount (as of the final day of such Annual Distribution Period) and (iii) the Day Count Fraction (as defined in Condition 21) (the "Annual Distribution Amount").

If a Certificateholder elects to have its Certificates redeemed early following a Change of Control (see Condition 6.2) or following a Tax Exchange Event (see Condition 7), amounts will accrue from the latest Annual Distribution Date up to (but excluding) the Change of Control Exercise Date or the Tax Exchange Date as applicable and in such circumstances the Issuer shall pay the Supplementary Amount (as defined in Condition 21) in respect of that Certificate to the relevant Certificateholder on the date falling 15 Business Days following the relevant Change of Control Exercise Date or the Tax Exchange Date, as applicable. No further amounts will accrue or be payable on any Certificate from and including its due date for redemption. See Condition 5.

To the extent that a Total Loss Event occurs, Tabreed shall be obliged, in consideration for and subject to the obligation of the Issuer to pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event, to sell to the Issuer further Cooling Assets or other Sharia compliant assets (the "Further Parts") having a value equal to the outstanding face amount of the Certificates and with expected profit equal to, or exceeding, the Rental Amount payable in accordance with the terms of the Lease Agreement. The Issuer shall procure that the Service Agent pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss to Tabreed under the terms of the Service Agency Agreement. See "Summary of the Principal Transaction Documents — the Lease Agreement".

"Annual Distribution Rate" means 7.25 per cent. per annum.

Annual Distribution Period . . . . The period from and including the Closing Date up to (but excluding) the first Annual Distribution Date or, if earlier, any applicable Redemption Date and thereafter each successive period from and including an Annual Distribution Date or, if earlier, any applicable Redemption Date to (but excluding) the next succeeding Annual Distribution Date or, if earlier, any applicable Redemption Date.

Mandatory Redemption . . . . Unless previously redeemed, exchanged or purchased and cancelled in accordance with the Conditions and subject to completion of an Exercise Notice (as defined below) within the periods specified in Condition 6.1.1, satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 and subject further to Condition 6.11, each Certificate will be mandatorily exchanged on the Maturity Date by:-

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5;

(b) the payment of any Annual Distribution Amounts accrued from the latest Annual Distribution Date up to (but excluding) the Maturity Date;

(c) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(d) the payment of any Dividend Amounts.

The number of Shares to be issued to an exercising Certificateholder on the Maturity Date in respect of any Relevant Certificates (defined in Condition 21) shall be determined by dividing the then aggregate outstanding face amount of such Relevant Certificates by the Maturity Exchange Ratio (defined below) in effect on the Maturity Date. The Issuer shall procure that notice regarding the Maturity Date shall be delivered to the Trustee, the Principal Paying and Exchange Agent, the

Delegate and the Certificateholders at least 60 Trading Days prior to the Maturity Date (in accordance with Condition 18).

Maximum Exchange Price . . . . The Maximum Exchange Price means AED2.7468, subject to adjustment in accordance with Condition 6.4.

Maximum Exchange Ratio . . . . The Maximum Exchange Ratio is AED10,000 divided by the Minimum Exchange Price.

Minimum Exchange Price . . . . The Minimum Exchange Price means AED2.5200, subject to adjustment in accordance with Condition 6.4.

Minimum Exchange Ratio . . . . The Minimum Exchange Ratio is AED10,000 divided by the Maximum Exchange Price.

Physical Settlement . . . . Physical Settlement (as defined in Condition 6.5) applies on each of the Maturity Date, a Change of Control Exercise Date (as defined in Condition 21), a Tax Exchange Date, a redemption following a Dissolution Event (other than in respect of an Insolvency Dissolution Event) (each a "Redemption Date") and the relevant Certificates shall, subject to Condition 6.6, Condition 6.9 and Condition 6.11, be redeemed for the number of Shares specified by Condition 6.1, Condition 6.2 or Condition 7.1, as the case may be.

Foreign Ownership . . . . Tabreed is subject to certain restrictions that limit the number of Shares that may be held by Non-GCC Persons (as defined in Condition 21) and limit the number of shares that may be held by any single person (together "ownership restrictions").

In connection with any redemption where Shares are to be issued, each Certificateholder must certify whether or not it is a Non-GCC Person. The Calculation Agent shall, on the date falling on the third Business Day following the Notification Date (as defined in Condition 6.8) (the "Foreign Ownership Calculation Date"), calculate the notional effect of issue of such Shares on Foreign Ownership on such date.

If Tabreed determines on such date that it would breach the applicable ownership restrictions if all Shares were to be issued to all Certificateholders, then Tabreed shall determine the number of Shares that may be issued to Non-GCC Certificateholders without breaching such restrictions (calculated on the basis that the number of Shares to be delivered to all Non-GCC Persons shall be reduced on a pro rata basis), and the balance due by way of the Foreign Ownership Amount (subject to satisfaction of the Subordination Conditions) (being the Redemption Reference Price (as defined in Condition 21) multiplied by the Non-Deliverable Shares (as defined in Condition 21)) shall be payable in cash.

See Condition 6.6 and Condition 6.11.

Role of Delegate . . . . Pursuant to the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate all of its rights and powers, authorities, duties and discretions to the Delegate.

Transaction Account . . . . All payments by Tabreed in its capacity as Lessee to the Issuer under each Transaction Document to which it is party will be deposited into an account of the Trustee maintained for such purpose (the "Transaction Account").

Distributions of monies deriving from the Trust Assets will be made to Certificateholders from funds standing to the credit of the Transaction Account in the order of priority set out below.

Priority of Distributions . . . . On each Annual Distribution Date, or on a Redemption Date, the Trustee shall, subject where applicable to the Subordination

Conditions, apply the moneys standing to the credit of the Transaction Account in the following order of priority:

(a) first, to pay the Delegate an amount equal to any sum payable to it on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any Liability (as defined in Condition 21) incurred (or reasonably expected to be incurred) by the Delegate pursuant to the Declaration of Trust or in connection with any of the other Transaction Documents or the Conditions;

(b) second, to the Principal Paying and Exchange Agent for application in or towards payment *pari passu* and rateably of all Annual Distribution Amounts, any outstanding accrued Annual Distribution Amounts, Supplementary Amount or Additional Cash Amounts (as defined in Condition 6.4(d)) due but unpaid;

(c) third, only if such payment or delivery is due on a Redemption Date, to the Principal Paying and Exchange Agent for application in or towards payment of the Foreign Ownership Amount (if any), and satisfaction of the Issuer's obligation to deliver Shares, in each case due to the corresponding Exercising Certificateholder; and

(d) fourth, only if such payment is due on the Maturity Date, in payment of the surplus (if any) to the Issuer.

The Principal Paying and Exchange Agent shall apply the moneys so received towards the payments or deliveries, as the case may be, set forth above.

Exchange following a Dissolution Event . . . . The "Dissolution Events" are set forth in Condition 12. If a Dissolution Event (other than an "Insolvency Dissolution Event" as defined in Condition 12) shall occur, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate face amount of such Certificates then outstanding, or if so directed by an Extraordinary Resolution (as defined in Condition 21) of the holders of the Certificates shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to all the holders of such Certificates in accordance with Condition 18 requiring the Issuer to mandatorily redeem each Certificate within 45 Trading Days after the occurrence of such Dissolution Event other than an Insolvency Dissolution Event, by:-

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5;

(b) subject to the satisfaction of the Subordination Conditions, the payment of any Annual Distribution Amounts accrued from the latest Annual Distribution Date to (but excluding) the relevant Redemption Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

and the Certificates shall, accordingly, forthwith become redeemable in the manner stipulated in the Delegate's notice.

If an Insolvency Dissolution Event occurs, Tabreed will be unable to deliver shares to Certificateholders. In such circumstances, following the issuance of a duly completed Exercise Notice in the same manner as prescribed above, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate face amount of such Certificates then outstanding, or if so directed by an Extraordinary Resolution (as defined in Condition 21) of the holders of the Certificates shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to all the holders of such Certificates in accordance with Condition 18 that, subject to satisfaction of the Subordination Conditions, the Certificates are immediately due and payable at the their principal amount, together with accrued Annual Distribution Amounts up to (but excluding) the date specified in such notice (the "Dissolution Redemption Date") and any Dividend Amounts and the Certificates shall accordingly, forthwith become immediately due and payable as stipulated in the Delegate's notice.

On the occurrence of any Dissolution Event pursuant to Condition 12 the Delegate may, subject to the above, also institute proceedings for the winding-up of Tabreed and/or prove in the winding-up of Tabreed and/or claim in the liquidation of Tabreed in respect of any Relevant Obligations.

The rights of the Trustee against Tabreed are subordinated in right of payment to the claims of all Senior Creditors (as defined in the Purchase Undertaking) of Tabreed. Accordingly, payments in respect of the Certificates will be subject to the Subordination Conditions.

Without prejudice to the generality of the foregoing, upon an Insolvency Dissolution Event, the Trustee's claim for an amount owing by Tabreed in respect of any Relevant Obligation is subordinated to the claims of Senior Creditors of Tabreed, in that Tabreed must be solvent at the time when such payment needs to be made and Tabreed shall not be entitled to make any cash payment to the Trustee if Tabreed, having made such payment, would not be able to pay its Senior Creditors in full.

In the Declaration of Trust, the Trustee has undertaken that it shall not exercise its voting rights (if any) as an unsecured creditor in the winding up or dissolution of Tabreed to defeat the subordination of the Relevant Obligations.

Exchange following a Taxation Event at Issuer's Option . . . .

Following the imposition of any Taxes (as defined in Condition 9) the Issuer may, having given not less than 60 Trading Days' notice to the Certificateholders (which notice shall be irrevocable) exchange all, and not some only, of the Certificates on the Tax Exchange Date.

Upon the Tax Exchange Date, each certificate will, subject to Condition 7.1(b), be mandatorily redeemed against:

(a) delivery of the number Shares set out in Condition 7.1 by way of Physical Settlement in accordance with Condition 6.5 (or, subject to the satisfaction of the Subordination Conditions, against payment of the Foreign Ownership Amount, as applicable) subject to completion by each Certificateholder of an Exercise Notice and satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 and subject further to Condition 6.11;

(b) subject to the satisfaction of the Subordination Conditions, the payment of any outstanding accrued Annual Distribution

Amounts from the latest Annual Distribution Date to (but excluding) the Tax Exchange Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

If a Certificateholder does not, for whatever reason, deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Tax Exchange Date in accordance with Condition 6.8, such Certificateholder shall not be able to exchange such Certificate(s) for Shares in accordance with this Condition 7.1 and the provisions of Condition 9 shall not thereafter apply in respect of any payment of any amounts to be made in respect of such Certificate(s) and, accordingly, no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall thereafter be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the Relevant Jurisdiction or any authority thereof or therein having power to tax.

Exchange following a Change of Control Event . . . .

If a Change of Control Event occurs, each Certificateholder will have the right, during the period of 60 Trading Days from and including the Change of Control Date (a "Change of Control Period"), to elect to have its Certificates redeemed early (the "Change of Control Exchange Right").

The Relevant Certificates shall, subject as provided in Condition 6.8, be redeemed by the Issuer on a Change of Control Exercise Date by:

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5 subject to completion of an Exercise Notice and satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 and subject further to Condition 6.11;

(b) subject to the satisfaction of the Subordination Conditions, the payment of any outstanding accrued Annual Distribution Amounts to (but excluding) the Change of Control Exercise Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

A "Change of Control" occurs when any person acting alone acquires, or persons acting together acquire, Control of Tabreed or is or are considered to Control Tabreed if such person does not, or persons do not, have, and would not be deemed to have, Control of Tabreed as at the Closing Date.

Where:

"Control" means (i) the acquisition or holding or legal or beneficial ownership or control directly or indirectly of more than 50 per cent. of the Voting Rights of Tabreed or (ii) the right to appoint and/or remove all or the majority of the members of Tabreed's Board of Directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise.

"Voting Rights" means the right generally to vote at a general meeting of Shareholders of Tabreed (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

Exercise Notice . . . . As preconditions to the delivery of Shares by way of Physical Settlement on any Redemption Date, each Certificateholder shall be required, within the relevant notice periods as specified in Condition 6.1, Condition 6.2 or Condition 7, as applicable, to deliver a duly completed Exercise Notice to the Issuer and Principal Paying and Exchange Agent as set out in Condition 6.8.

Form and Delivery of the Certificates. . The Certificates will be issued in registered form and will be represented by interests in the Global Certificate.

Definitive certificates evidencing holdings of Certificates will only be issued in exchange for interests in the Global Certificate in certain limited circumstances. See "The Global Certificate".

Clearance and Settlement . . . . Interests in the Global Certificate will be held in book entry form through Euroclear and Clearstream, Luxembourg. Transfers within Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance system.

Denominations . . . . The Certificates will be issued in minimum denominations of AED500,000 and integral multiples of AED10,000 in excess thereof.

Summary of the Trust . . . .

The Trust and Trust Assets . . . . Pursuant to the Declaration of Trust, the Issuer (in its capacity as Trustee) will declare that it will hold the Trust Assets upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

The "Trust" means the trust declared by the Issuer (in its capacity as Trustee) under the Declaration of Trust.

The "Trust Assets", comprise primarily (a) the investments in the Cooling Assets to be manufactured and/or constructed and delivered under the Istisna'a Agreement and any Cooling Assets or part thereof delivered from time to time thereunder and any Further Parts (as defined below) delivered to the Issuer following a Total Loss Event; (b) all of the Issuer's rights, title, interest and benefit under the Transaction Documents; and (c) all monies standing to the credit of the Transaction Account.

There is also provision for the possible substitution of items of Cooling Asset (i) from time to time by agreement between Tabreed and the Issuer (in its capacity as Trustee) and (ii) upon the occurrence of a Total Loss Event (as defined in the Service Agency Agreement) in accordance with the terms of the Lease Agreement and the Istisna'a Agreement (the "Substitution Provisions"). Any items so substituted shall then become Cooling Assets (or part thereof) for the purposes of the Conditions and ascertaining the Trust Assets.

The Istisna'a Agreement . . . . On the Closing Date the Issuer and the Contractor shall enter into an Istisna'a and Sale Agreement (the "Istisna'a Agreement") under which the Issuer will pay to the Contractor, in consideration for the Contractor procuring the construction, manufacturing and delivery of the Cooling Assets, a total amount of AED1,700,000,000 (the "Istisna'a Amount").

On the Closing Date the Contractor shall deliver to the Issuer Cooling Assets having a book value as at the Closing Date representing not less than 33 per cent. of the Istisna'a Amount. From time to time during the period of the Istisna'a Agreement, the Contractor will, following the manufacture and/or construction and delivery of each Cooling Asset, notify the Issuer in accordance with the terms of the Istisna'a Agreement and transfer the title and risk of loss or damage to the Cooling Asset specified to the Issuer.

Lease Agreement . . . . Under the terms of a lease agreement to be entered into between the Issuer as lessor (in such capacity as "Lessor") and Tabreed as the lessee (the "Lease Agreement") Tabreed undertakes to lease each item of Cooling Asset upon completion of its construction and handover to the Issuer from time to time in accordance with the terms of the Istisna'a Agreement.

The rental payments under the Lease Agreement (the "Rental Amounts") will be an amount of:

(a) in respect of a payment on a Rental Payment Date or a Redemption Date which is a Rental Payment Date, an amount equal to the product of (i) the Rental Rate and (ii) the Aggregate Face Amount of the Certificates outstanding as of the final day of the Relevant Payment Period ("Ordinary Rental Amount"); and

(b) in respect of a payment on a Redemption Date which is not a Rental Payment Date, an amount equal to the product of (i) the Rental Rate and (ii) the Aggregate Face Amount of the Certificates to be redeemed on such Redemption Date and (iii) the Day Count Fraction, and rounding the resultant figure to the nearest AED0.01, AED0.005 being rounded upwards ("Redemption Rental Amount").

Subject to the satisfaction of the Subordination Conditions, the Lessee will be obliged to pay Rental Amounts to the Lessor on the second Business Day before each Annual Distribution Date. Payments under the Lease Agreement following a Dissolution Event will only be made to the Lessor if the Lessee is able to satisfy the Subordination Conditions at the time of such payments.

At any time during the term of the Certificates, Tabreed shall have the right to substitute all or any part of the Delivered Cooling Assets provided that they are replaced by Cooling Assets of equal estimated cost. To the extent that a Total Loss Event occurs, Tabreed shall be obliged, in consideration for and subject to the obligation of the Issuer to pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event, to sell to the Issuer further Cooling Assets or other Sharia compliant assets (the "Further Parts") having a value equal to the outstanding face amount of the Certificates and with an expected profit equal to, or exceeding, the Rental Amount payable in accordance with the terms of the Lease Agreement. The Issuer will procure that the Service Agent pay any insurance monies received in respect of the Substituted Parts to Tabreed in consideration for such transfer in accordance with the terms of the Service Agency Agreement.

"Rental Rate" means 7.25 per cent.:

"Total Loss Event" means (i) the total loss or destruction of the whole of the Cooling Assets or (ii) the compulsory acquisition, certification or expropriation of the whole of the Delivered Cooling Assets.

Service Agency Agreement . . . . Under the terms of the Service Agency Agreement, the Service Agent will, *inter alia*, be responsible on behalf of the Issuer for the performance of all Major Maintenance in respect of the Delivered Cooling Assets and the procuring of insurance cover for all Delivered Cooling Assets under the Lease Agreement.

Upon the occurrence of a Total Loss Event, the Service Agent shall procure that any insurance proceeds received on behalf of the Issuer in respect of the Cooling Assets the subject of the Total Loss Event are paid to Tabreed in consideration for the transfer of the Further Parts by Tabreed to the Issuer.

Purchase Undertaking . . . . Tabreed in its capacity as Tabreed shall execute a purchase undertaking (the "Purchase Undertaking") in favour of the Issuer in its capacity as Trustee on or about the Closing Date under which Tabreed undertakes to purchase all or part, as applicable, of the Delivered Cooling Assets or any other Further Parts following receipt of a notice from the Trustee which the Trustee shall serve (or shall procure the service thereof) on Tabreed:

(i) at any time following the occurrence of an Insolvency Dissolution Event;

(ii) not more than 20 Trading Days following the occurrence of a Dissolution Event (other than an Insolvency Dissolution Event);

(iii) at least 25 Trading Days prior to any Change of Control Exercise Date; or

(iv) unless all of the Assets have already been sold to Tabreed pursuant to the Transaction Documents, at least 25 Trading Days prior to the Maturity Date,

in each case, in accordance with the terms and in accordance with the conditions of, and in the form prescribed by the Purchase Undertaking, against the issue, allotment and delivery of Shares to Certificateholders who satisfy the preconditions to the delivery set out in the Conditions and have properly served notices in accordance with the Conditions by means of Physical Settlement, except in the case of (i) above only, in which case Tabreed shall become obliged, subject to the Subordination Conditions being satisfied, to pay the aggregate of the Base Amount, the Additional Amount and any Dividend Amounts in dirham in cash in accordance with the terms and subject to the conditions of the Purchase Undertaking and, in the case of (ii), (iii) and (iv) above to the extent that they relate to payments of cash amounts equal to the Additional Amount and any Dividend Amounts and in the case of (ii) and (iii) the Supplementary Amounts.

Upon the occurrence of any of the events listed in (ii), (iii) and (iv) above, Tabreed will forthwith deliver a Sharia Financial Ratio Notice to the Trustee confirming certain agreed ratios in respect of its indebtedness and assets in the form set out in the Purchase Undertaking.

See "*Summary of the Principal Transaction Documents — Purchase Undertaking*".

Sale Undertaking . . . . On the Closing Date, the Issuer in its capacity as Trustee shall execute a sale undertaking (the "Sale Undertaking") in favour of Tabreed. Pursuant to the Sale Undertaking, the Issuer (in its capacity as Trustee) shall undertake to sell all or part of the Delivered Cooling Assets or any other Further Parts to the Tabreed following not less than 25 Trading Days prior to the Tax Redemption Date in consideration for the issue, allotment and delivery by Tabreed of the number of Shares prescribed by Condition 7.1 by way of Physical Settlement and payment by Tabreed, provided that the Subordination Conditions have been satisfied, of a cash amount equal to the Supplementary Amount, the Additional Amount and any Dividend Amounts. In making any demand for such sale, Tabreed will deliver to the Issuer and the Trustee a Sharia Financial Ratio Notice confirming certain agreed ratios in respect of its indebtedness and assets in the form set out in the Sale Undertaking.

Transaction Account . . . . The Bank of New York will maintain and operate the account (the "Transaction Account") on behalf of the Issuer. Monies deriving from the Trust Assets (other than the Authorised Investments) will be paid into the Transaction Account and payments to be made to holders of the Certificates will be made from funds standing to the credit of the Transaction Account.

Subordination Conditions . . . . The Relevant Obligations payable by Tabreed to the Trustee are subordinated in right of payment to the claims of all Senior Creditors of Tabreed and, accordingly, payments in respect of the Relevant Obligations by Tabreed are conditional upon:

(i) Tabreed being Solvent at the time when payment needs to be made; and

(ii) Tabreed being able to make payment of the Relevant Obligations and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Relevant Obligations and still be Solvent immediately thereafter.

"Relevant Obligations" means:

(a) in respect of the Lease Agreement, payment of the Rental Amount;

(b) in respect of the Purchase Undertaking, payment of the Base Amount, the Supplementary Amount and any Dividend Amounts;

(c) in respect of the Istisna'a Agreement, the amounts payable, if any, in accordance with clause 6.3 of the Istisna'a Agreement; and

(d) in respect of the Sale Undertaking, payment of a cash amount in respect of the Supplementary Amount (if any) and any Dividend Amounts;

"Senior Creditors" means creditors of Tabreed (including issuers of obligations similar to the Certificates to include, *inter alia*, any obligation of Tabreed in respect of any trust certificates issued by any other entity with recourse to Tabreed and any trade creditors of Tabreed) other than creditors in respect of obligations where, by the terms of such obligations, the claims of the creditors rank or are expressed to rank *pari passu* with, or junior to, the claims in respect of the Relevant Obligations; and

"Solvent" means that (i) Tabreed is able to pay its debts to Senior Creditors as they fall due and (ii) its assets exceed its liabilities to Senior Creditors.

Costs Undertaking . . . . Pursuant to the Costs Undertaking (the "Costs Undertaking") to be executed by Tabreed, Tabreed will agree to pay certain fees and expenses arising in connection with the issue of the Certificates and under the Transaction Documents.

Limited Recourse . . . . Each Certificate represents an undivided beneficial ownership interest in the Trust Assets. Accordingly, the Certificateholders will have no recourse to any assets of the Issuer, the Trustee (and/or its directors), the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amount from the Trust Assets. Tabreed is obliged to make payments under the Transaction Documents to which it is a party directly to the Issuer, and the Issuer, as trustee for the benefit of the Certificateholders, will have direct recourse against Tabreed to recover payments due to the Issuer from Tabreed pursuant to the Transaction Documents to which Tabreed is a party.

Enforcement . . . . Following the distribution of the proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee to recover any such sum or asset in respect of the Certificates or other Trust Assets.

Under no circumstances shall the Trustee or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking and the Declaration of Trust and the sole right of the Trustee and the Certificateholders against Tabreed shall be, if applicable, to enforce the obligation of Tabreed to pay the Exercise Price thereunder. In addition, and to the extent that Tabreed does not fulfil its payment obligations under the Purchase Undertaking, the Trustee may, in accordance with the Conditions and the Declaration of Trust, exercise its right to sell the Assets to third parties and, to the extent relevant, liquidate the Authorised Investments.

The Trustee shall not in any circumstances be obliged to take any action against Tabreed under the Transaction Documents unless, following the occurrence of a Dissolution Event, directed to do so by the Certificateholders in accordance with the Conditions.

No Certificateholder shall be entitled to proceed directly against Tabreed unless (i) the Trustee, having become bound to proceed, fails to do so within 30 days of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against Tabreed) holds at least 25 per cent. of the aggregate face amount of the Certificates then outstanding.

The foregoing paragraphs are subject to the following. After enforcing or realising such Trust Assets and distributing the net proceeds in accordance with Condition 4.2, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished.

Withholding Tax . . . . All payments under the Transaction Documents shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 21), and all interest, penalties or similar liabilities with respect thereto ("Taxes"), unless the withholding or deduction of the Taxes is required by law. In such event, (a) where Tabreed is required to make such a withholding or deduction, Tabreed will be required, pursuant to the relevant Transaction Document, to pay to the Issuer, and/or (b) where the Issuer is required to make such a withholding or deduction, the Issuer will be required to pay in respect of the Certificates, additional amounts (which amounts will be applied towards payments in respect of the Certificates) so that, subject to certain exceptions, the full amount which otherwise would have been due and payable under the Certificates is received by parties entitled thereto. See Condition 9.

Use of Proceeds	The proceeds of the issue of the Certificates will be used by the Issuer to purchase and/or invest in Assets in accordance with the terms of the Transaction Documents.
Listing	Application has been made to the UK Listing Authority for the Prospectus to be approved as a prospectus for the purposes of the Prospectus Directive and for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Market.
Certificateholders' Meetings	A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such are set forth in Condition 16.
Transaction Documents	The "Transaction Documents" are the Subscription Agreement, the Agency Agreement, the Declaration of Trust, the Istisna'a Agreement, the Lease Agreement, the Purchase Undertaking, the Sale Undertaking, the Service Agency Agreement, the Costs Undertaking, the Certificates, and any other agreements and documents delivered or executed in connection therewith (each as defined in the Declaration of Trust).
Tax Considerations	See "Taxation" for a description of certain United Arab Emirates, Cayman Islands and European Union taxation considerations applicable to the Certificates.
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Certificates which are set forth under "Subscription and Sale".
Lock-up	Pursuant to the Subscription Agreement (as defined in "Subscription and Sale"), Tabreed has agreed, subject to certain exceptions, that it will not and will procure that none of its subsidiaries or any other party acting on its or their behalf (other than the Joint Lead Managers), issue or offer, sell, contract to sell or otherwise dispose of any Shares or any securities convertible, exchangeable or exercisable for Shares (including any warrants), for a period of 90 days from the Closing Date.
Governing Law	The Declaration of Trust, the Agency Agreement, the Subscription Agreement, the Purchase Undertaking, the Sale Undertaking, the Costs Undertaking, and the Certificates will be governed by English law. The Istisna'a Agreement, the Lease Agreement and the Service Agency Agreement will be governed by the laws of the UAE to the extent applicable in the Emirate of Dubai. The Corporate Services Agreement will be governed by Cayman Islands law and subject to the jurisdiction of the Cayman Islands courts.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Certificates. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer and Tabreed, which, in turn, could have a material adverse effect on the amounts which investors will receive in respect of the Certificates. In addition, each of the risks highlighted below could adversely affect the trading price of the Certificates or the rights of investors under the Certificates and, as a result, investors could lose some or all of their investment.

Prospective investors should note that the risks described below are not the only risks that the Issuer and/or Tabreed faces. The Issuer and Tabreed have described only those risks relating to their operations that they consider to be material. There may be additional risks that they currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects summarised above.

Risk Factors relating to Tabreed

Customer Concentration of Tabreed

Tabreed's customer base is concentrated in one major customer, the UAE armed forces, which currently accounts for approximately 67 per cent. of Tabreed's district cooling revenues. Although the UAE armed forces is an entity of the investment grade rated UAE government, Tabreed remains exposed to the risk of any future change in government policy on the use of district cooling systems in military installations. Tabreed's reliance on one major customer is however expected to reduce over the medium term, as its future projects now under construction are mainly for other commercial customers.

Contracts with the UAE Armed Forces

As mentioned above, much of Tabreed's district cooling revenue is derived from a master contract with the UAE armed forces. If the UAE armed forces were to be in breach of this master contract or were to take possession of a cooling plant sited on its land, it may, in practice, prove very difficult for Tabreed to gain full compensation for its losses before the UAE courts, especially in light of the sovereign status of the UAE armed forces.

Furthermore, Tabreed's master contract with the UAE armed forces provides for (i) the right for the UAE armed forces to acquire the applicable plant at any time during the life of the master contract, and (ii) for the contract to be terminable by the UAE armed forces at any time when it is considered in the "public interest" to do so, in the sole opinion of the UAE armed forces. It is unclear in such circumstances whether the amount payable to Tabreed would amount to full or adequate compensation for the loss of the master contract and, to the extent applicable, the plant itself.

Tabreed's master contract with the UAE armed forces also contains a provision which purports to require Tabreed to take responsibility for all damage to the property of the UAE armed forces or of any third party which takes place at the site of the plant, irrespective of whether the damage is occasioned by or in relation to the operation of the plant. It is uncertain whether or not a UAE court would interpret this as imposing strict liability on Tabreed for such incidents.

Legionnaires' Disease

Tabreed is a user of wet cooling towers. In the past, such cooling towers have been a source of legionnella bacteria which can cause Legionnaires' disease. Whilst Tabreed mitigates this risk through rigorous chemical control of the cooling water and insurance cover, an outbreak of Legionnaires' disease would impact the operations of the relevant Cooling Asset, which in turn would have an adverse effect on cash flows relating to that Cooling Asset. Whilst Legionnaires' disease has been encountered at other Cooling Assets in other parts of the world such as North America, no Cooling Assets operated by Tabreed have been affected to date.

Construction Risk

Each investment by Tabreed in the construction of a Cooling Asset will expose it to "construction" risks. These risks include the risk of the project not being completed on time and within budget or to the agreed specifications.

While Tabreed attempts to allocate such risks to contractors under construction contracts, not all such risks can be allocated to the construction contractors. Accordingly, delays in completion of a project and the resultant increase in funding costs and delays in the commencement of cash flows, increases in the capital needed to complete construction, the insolvency of a head contractor, a major subcontractor and/or a key equipment supplier, can all potentially have a material adverse impact on Tabreed's business, financial condition or results of operations.

The experience, reputation and financial, human and technical resources of the head contractor, key subcontractors and major equipment suppliers for a project are key factors in determining the likelihood of the timely completion of the project for the agreed price.

In addition, due to the construction boom that the UAE and other countries in which Tabreed operates is experiencing, there is a limited pool of construction companies and workers who are able to construct district Cooling Assets, and a shortage of certain commodities required for construction, leading to potential price inflation in respect of those commodities.

If Tabreed is unable to employ or retain such construction companies and workers, it may not be able to maintain existing or construct future projects on a timely basis (or at all), which could limit Tabreed's future growth and possibly result in a material adverse effect on Tabreed's business, financial condition or results of operations.

Tabreed operates in a capital intensive business and a significant increase in capital costs could have a material adverse effect on Tabreed's business, financial condition and results of operations

Tabreed has significant capital expenditure requirements and the recovery of its capital investment in district cooling plants occurs over a substantial period of time. The capital investment required to develop and construct a district cooling plant varies, based on the cost of the necessary fixed assets for such district cooling plant. The price of such equipment may increase as the market demand for such equipment expands ahead of supply, or if the prices of key component commodities and raw materials used to build such equipment increases. Other factors affecting the amount of capital investment required include, among others, the construction costs of a district cooling plant. A significant increase in the costs of developing and constructing Tabreed's district cooling plants could have a material adverse effect on Tabreed's business, financial condition and results of operations.

General Growth Risk

Tabreed cannot provide any assurance that the expansion of its operations will be successfully implemented or that it will be able to take advantage of all of the opportunities available to it. Tabreed cannot provide any assurance that it will be successful in new regional markets or businesses into which it has expanded operations or that it will continue to be successful in its other existing markets or businesses. In addition, Tabreed may not be able to increase its capacity in the GCC to meet the strong demand for district cooling services. Although Tabreed believes that the expansion and entry into new jurisdictions will contribute to its growth and future profitability, Tabreed cannot provide any assurance that it will be able to achieve all of its expected business targets or that the combined businesses will achieve the same level of profitability that has been achieved historically. An inability to meet existing demand also increases the possibility that competitors will be able to establish a strong presence in the GCC, which may have an adverse effect on Tabreed's business, financial condition or results of operations.

Tabreed's growth plan is dependent on the availability of equipment

Tabreed requires delivery and assembly of certain technical equipment, for district Cooling Assets. Tabreed cannot provide any assurance that it will, in the future, be able to purchase a sufficient quantity of technical equipment to satisfy its construction targets, or that certain suppliers will not give priority to other market participants, including Tabreed's competitors. Any significant delay by Tabreed's principal suppliers in the performance of their contractual commitments, or inability of its principal suppliers to meet such commitments, unavailability of components and equipment, or failure of components and equipment to meet its needs and expectations could have a material adverse effect on Tabreed's business, financial condition or results of operations.

General Operational Risk

The district Cooling Assets are exposed to numerous operational risks including the impact of force majeure events (see below), plant breakdowns, electricity, gas, water and other utility service failures, failure of customers to pay for the district cooling services and other unanticipated events.

The cost of repairing or replacing damaged assets may be considerable, and repeated or prolonged interruption in the operation of an asset may result in termination of contracts, substantial litigation and damages or penalties for regulatory or contractual non-compliance, reduced cash flows and increased funding costs.

If the operational income received or expenditure incurred is different from that projected for Tabreed's district cooling plants, this will affect the cash flow available to Tabreed which may have a material adverse effect on its business, financial condition or results of operations.

The future growth of Tabreed may depend on its ability to raise new capital and obtain financing

Tabreed's strategy of growth through the optimisation and modernisation of existing facilities and equipment and construction of new district cooling plants requires substantial investment and is dependent on Tabreed's ability to finance these projects and other investments out of retained profits or new capital. If the financial performance of Tabreed in the future fails to meet the expectations of its lenders and investors, there can be no assurance that Tabreed will be able to raise the new capital required to fund its growth, or that such financing will be obtained on satisfactory terms.

In addition, Tabreed is subject to a number of risks associated with debt financing, including the risk that cash flow from operations will be insufficient to meet required payments of principal and interest, the risk that, to the extent that Tabreed maintains floating rate indebtedness, interest rates will fluctuate and the risk that it may not be possible to obtain refinancing on reasonable terms when required. Although Tabreed anticipates that it will be able to repay or refinance existing debt, and any other indebtedness when it matures, there can be no assurance that it will be able to do so and, in the event that it is unable to do, this may have a material adverse effect on Tabreed's business, financial condition or results of operations.

Tabreed is subject to risks arising from interest rate fluctuations

Changes in interest rates could affect results of operations of Tabreed. Most of Tabreed's financings are floating rate exposures, with the total amount of floating rate exposure as at 31 December 2007 being AED 1,878.5 million out of a total exposure of AED 2,371.7 million. If the interest rates for its existing or future borrowings increase significantly, Tabreed's cost of servicing such debt will increase. Although Tabreed has, on occasions, entered into cost reduction or hedging arrangements against interest rate risks, there can be no assurance that these arrangements will successfully protect it from losses due to fluctuations in interest rates.

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

Tabreed depends on the supply of electricity, gas and water from third parties for its district Cooling Assets. Tabreed pays standard market tariffs for the supply of electricity and water to the relevant local utilities. In the UAE, for some of Tabreed's district Cooling Assets, gas is supplied pursuant to a five-year renewable contract with the Abu Dhabi National Oil Company. Tabreed does not currently have any fixed contract with any other utility supplier. If the relevant transportation or transmission lines or pipes are disrupted for the supply of electricity, gas or water, or if capacity is inadequate, or if the contract in respect of gas supplies is not renewed, Tabreed's ability to provide district cooling services may be restricted. As a result, in addition to any lost revenues, Tabreed may be responsible for losses and damages incurred by its customers. Such lost revenues and consequential liability for damages could have a material adverse effect on Tabreed's business, financial condition and results of operations.

The majority of Tabreed's revenues and profits are derived from its operations in the UAE

Tabreed currently carries out the majority of its business in the UAE, which is its largest market for district cooling services, and derived 100 per cent. of its district cooling revenues for the financial year ended 31 December 2007 from its business in the UAE. Among other factors, any material regulatory issues or unfavourable changes in regulations, increases in costs or reduction in demand in this particular jurisdiction may significantly limit Tabreed's ability to generate revenue and could have a material adverse effect on Tabreed's business, financial condition and results of operations.

Tabreed is also subject to risks as a result of the international nature of its businesses that may materially affect its financial results

Although Tabreed is headquartered in, and derives the majority of its revenue from, the UAE, it has substantial operations in other GCC countries and its business expansion plans anticipate strong growth of its business outside the UAE. Accordingly, Tabreed faces a number of risks associated with operating in a range of different countries that may have a materially adverse impact on its business, financial condition and results of operations. These include, but are not limited to, compliance with and changes in laws and regulations applicable to foreign corporations, the absence, loss or non-renewal of favourable treaties or similar agreements with foreign tax authorities or political, social and economic instability.

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

Tabreed is dependent on its skilled and experienced management team in the UAE and in the other jurisdictions of the GCC in which it operates and the loss of certain senior management, key employees or several or many local managers could have a material adverse effect on Tabreed's business, financial condition or results of operations.

Tabreed also depends on its ability to retain and motivate key employees and attract qualified new employees in order to meet its business objectives. Inability to attract and retain sufficient technical and managerial personnel could limit or delay Tabreed's development efforts, which could have a material adverse effect on Tabreed's business, financial condition or results of operations.

Tabreed may be required to obtain municipal permits and licences for its district Cooling Assets

The construction and implementation of district Cooling Assets generally requires the obtaining of certain municipal permits and licences, such as construction permits, operational licences and environmental licences, among others. The system for obtaining such permits and licences varies by country, by region and by municipality, and certain countries and regions and municipalities may deny or delay granting a permit or licence for a variety of reasons, each of which could have a material adverse effect on Tabreed's business, financial condition or results of operations.

Force Majeure Risk

Tabreed is exposed, like most businesses, to "force majeure" risks, namely events beyond its or someone else's control such as acts of God, fire, flood, earthquakes, war, terrorism and strikes. These events may materially adversely affect its or one or more of its joint venture partners' ability to perform its obligations until the force majeure event ceases and its consequences are remedied.

Joint Venture Risks

Tabreed has entered into various joint venture arrangements with various partners or co-owners in a number of the jurisdictions in which it operates, and may enter into joint venture arrangements from time to time in the future. Owning an interest in an asset or business with co-owners imposes restrictions which do not exist where the assets or business is wholly owned, especially in the ability of a co-owner to make decisions regarding the business without the agreement of the other co-owners. There may also be other limitations, such as the inability to sell the interest without the co-owners' prior consent. The success of these joint ventures could partly depend on the acts or inactions of the relevant joint venture partners. Unless resolved in a timely manner, disagreements between co-owners may have a material adverse effect on the relevant asset and on Tabreed's business, financial condition or results of operations.

Competition Risk

With growth of the district cooling industry sector in the UAE and GCC, the competition for development of district Cooling Assets or investment in existing district Cooling Assets is likely to increase. Some of Tabreed's district Cooling Assets may also be affected by the existence of competing district Cooling Assets owned or operated by other parties. See "National Central Cooling Company (Tabreed) PJSC — Competition".

Foreign Exchange Risk

As Tabreed, through its subsidiaries, associates and joint ventures, operates in many countries in the GCC, it will be exposed to adverse foreign exchange rate movements that may increase the financial risk inherent in its businesses and returns available to investors. Tabreed may choose to borrow in the local currency of a particular asset to mitigate its exposure or to enter into foreign exchange rate hedging. While these measures can be used to mitigate foreign exchange risk, the risk of adverse foreign exchange rate movements cannot be removed entirely. It will be at the discretion of Tabreed as to what proportion of foreign exchange rate risk is hedged and the duration of that hedging.

Tabreed maintains its accounts, and reports its results, in dirham. The dirham, along with the currencies of most of the other GCC countries (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE), is pegged at a fixed exchange rate to the U.S. dollar. In the case of the UAE, this currency peg has existed since 22 November 1980. However, there has been recent market speculation that certain member countries of the GCC might abandon their currency peg, although to date only Kuwait has dropped its peg to the dollar in favour of a peg against a basket of currencies. Tabreed is exposed to the potential impact of any alteration to or abolition of this foreign exchange peg which could have an adverse effect on Tabreed's business, financial condition, results of operations or prospects.

Corporate Disclosure and Accounting Standards

The reporting, accounting and financial practices applicable to UAE companies differ in certain material respects from those applicable to similar companies in the United States and the United Kingdom. There is less publicly available information regarding securities of listed UAE companies, such as Tabreed, than is regularly published by public companies in the United States, the United Kingdom and certain other more developed markets. However, Tabreed follows IFRS accounting standards.

Risk Factors relating to the Issuer

Dependency on Tabreed

The Issuer is a newly established exempted limited company incorporated on 13 March 2008 in the Cayman Islands and has no operating history. The Issuer will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, declaring the Trust acting in the capacity of Trustee and other activities incidental or related to the foregoing, as required under the Transaction Documents. As the Issuer is a Cayman Islands company, it may not be possible for a Certificateholder to effect service of process outside the Cayman Islands.

The Issuer's only material assets, which will be held on trust for the Certificateholders, are the Trust Assets, including the obligation of Tabreed to make rental payments under the Lease Agreement and to make other payments under the Purchase Undertaking and the Istisna'a Agreement to the Issuer in its capacity as Trustee. Therefore, the Issuer is subject to all the risks to which Tabreed is subject, to the extent that such risks could limit Tabreed's ability to satisfy in full, and on a timely basis, its obligations under the Lease Agreement, the Sale Undertaking, the Purchase Undertaking and the Istisna'a Agreement. See "Risk Factors relating to Tabreed" above for a further description of certain of these risks. The ability of the Issuer to pay amounts due on the Certificates will primarily be dependent upon receipt by the Issuer from Tabreed of all amounts due under the Lease Agreement and the Purchase Undertaking (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

Limited Recourse Obligations

The Certificates will represent entitlement solely to the Trust Assets. Accordingly, recourse in respect of the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. The Certificateholders will have no recourse to any assets of the Issuer, the Trustee, the Agents, the Joint Lead Managers or any of their affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

In addition, Tabreed is obliged to make payments under the relevant Transaction Documents directly to the Trustee and the Trustee will have direct recourse against Tabreed to recover payments due to the Trustee from Tabreed pursuant to such Transaction Documents.

Risks relating to the Developing Markets

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

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Legal and regulatory systems may create an uncertain environment for investment and business activities

Many countries in the MENA region are in the process of developing institutions and legal and regulatory systems which are not yet as firmly established as they are in Western Europe and the United States. Some countries (such as those countries comprising the GCC) are also in the process of transitioning to a market economy and, as a result, may experience changes in their economies and government policies (including, without limitation, policies relating to foreign ownership, repatriation of profits, property and contractual rights and planning and permit-granting regimes) that may affect Tabreed's business.

The MENA region has enjoyed significant economic growth and some countries (such as those in the GCC) have also enjoyed relative political stability. However, there can be no assurance that such growth or stability will continue. Moreover, while the governments' policies in some MENA countries have generally resulted in improved economic performance to date, there can be no assurance that such level of performance can be sustained.

No assurance can be given that the governments in the countries in which Tabreed maintains operations or owns assets will not implement regulations or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, financing rates or exchange controls, or otherwise take actions which could have a material adverse effect on Tabreed's business, financial condition, results of operations or prospects.

Risk Factors relating to the Certificates

Liquidity of the Certificates

Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange to admit the Certificates for trading on the Market. There can be no assurances that such listings will take place on or prior to the Closing Date or at all. There can be no assurances that a secondary market for the Certificates will develop, or if a secondary market does develop, that it will provide the Certificateholders with liquidity of investment, or that such liquidity will continue for the life of the Certificates. The market value of the Certificates may fluctuate. Consequently, any sale of the Certificates by Certificateholders in any secondary market that may develop may be at a discount from the original purchase price of such Certificates.

Tabreed will not have authorised and issued the Shares deliverable upon exchange of the Certificates on or prior to the Closing Date

Any increase in Tabreed's share capital to permit the issue and allotment of Shares required to be delivered upon exchange of the Certificates requires the prior approval of the board of directors of Tabreed. However, as at the Closing Date, no board resolutions in respect of any specific allotment of Shares required to be delivered on exchange of the Certificates will have been passed and the requisite meetings to pass such resolutions will not have been convened. Accordingly, there can be no assurance that such board resolutions will be passed in a timely manner or at all.

Tabreed's ability to issue Shares is subject to the prior approval of the UAE Federal Ministry of Economy and the DFM

Any increase in Tabreed's share capital to permit the issue and allotment of all Shares required to be delivered upon exercise of the exchange rights in the Certificates requires an application to be made by Tabreed for the consent of the UAE Federal Ministry of Economy to such increase and to the DFM for the listing of such additional Shares. In addition, even though there is no legal or statutory requirement requiring the prior approval of the Securities and Commodities Authority (the "SCA") for the listing of the additional Shares on the DFM, there is a possibility that the SCA may choose to exercise its administrative discretion to require Tabreed to obtain its consent to the listing of the additional Shares on the DFM. As at the Closing Date, no such consents will have been given. Accordingly, the consent of each of the UAE Federal Ministry of Economy and the DFM will be required (and, if the SCA chooses to exercise its administrative discretion, the consent of the SCA may also be required) on each exchange of the Certificates. There is no particular mechanism for obtaining the consent of the UAE Federal Ministry of Economy, the DFM and the SCA and there is no set period within which such consent is provided. There can be no assurance that, following service of an Exercise Notice, the requisite consent of either the UAE Federal Ministry of Economy, the DFM or the SCA will be granted prior to the corresponding Redemption Date or at all.

Certificateholders must open accounts with the DFM as a precondition to receiving Shares

In order to receive Shares on any relevant Redemption Date, a Certificateholder must have opened an account with the Clearing, Depositary & Settlement Department of the DFM and have obtained an investor number. This will require, among other matters, certain "know your customer" procedures to be completed. There can be no assurance as to the time that may be required to open such an account and obtain such a number.

Certificateholders must complete an Exercise Notice as a precondition to receiving Shares

In order to receive Shares on any relevant Redemption Date, a Certificateholder must deliver a duly completed and signed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent in accordance with Condition 6.8 *(Exercise Notice and Preconditions to Delivery of Shares)* and in accordance with the applicable time periods set out in Condition 6.1 *(Mandatory Redemption on the Maturity Date)*, Condition 6.2 *(Voluntary Exchange right following a Change of Control)* and Condition 7.1 *(Exchange for Taxation Reasons)* as applicable.

There can be no assurance that a Certificateholder will receive Shares in accordance with the Conditions unless an Exercise Notice is duly completed and signed and correctly delivered within the relevant time periods and the timing of the delivery of an Exercise Notice within any applicable time period may, in itself, affect whether a Non-GCC Certificateholder receives Shares or the Foreign Ownership Amount in lieu of Shares.

Certificateholders will bear the risk of fluctuation in the price of the Shares

The market price of the Certificates may be affected by fluctuations in the market price of the Shares. It is impossible to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by, among other matters, the financial position of Tabreed, the results of operations and political, economic, financial and other factors, as well as the liquidity and volatility of shares traded on the DFM generally. Any decline in the price of the Shares may have an adverse effect on the market price of the Certificates.

Future issues or sales of Shares may affect the trading price of the Certificates

Any future issues of Shares by Tabreed or disposal of Shares by any major shareholder of Tabreed, or the perception that such issues or sales may occur, may significantly affect the trading price of the Certificates. Tabreed has agreed to certain restrictions on its ability to issue or dispose of Shares or related securities for 90 days after the issue of the Certificates (see "Subscription and Sale"). Thereafter there will be no restriction on Tabreed's ability to issue or dispose of Shares, and there can be no assurance that Tabreed will not issue Shares or that any substantial shareholder will not dispose of, encumber or further pledge its Shares or related securities.

Certificateholders may not receive Shares upon exchange of Certificates

Under UAE law, restrictions on foreign ownership of entities incorporated in the UAE limit the number of shares that may be bought or held by or on behalf of persons or entities that are not GCC Persons. In particular, foreign ownership of certain companies incorporated in the UAE (other than in a free zone) is limited to 49 per cent. Currently, non-GCC nationals may not hold more than 49 per cent. of the Shares of Tabreed.

Accordingly, Certificateholders who are not GCC Persons may be prohibited from receiving Shares on any exchange of the Certificates. Tabreed may be prohibited from delivering such Shares if the effect of such delivery would be to breach the applicable Foreign Ownership Restrictions or the Articles of Tabreed. In such cases, those Certificateholders who are not GCC persons shall receive, in lieu of the relevant Non-Deliverable Shares and, subject to the Subordination Conditions being satisfied, a cash amount in dirham equal to the Foreign Ownership Amount. However, there can be no assurance that Tabreed will, in such circumstances, be able to pay the relevant cash amounts.

Certificateholders have no shareholder rights prior to exchange

A Certificateholder will not be a holder of the Shares prior to exchange. No Certificateholder will have any voting rights, any rights to receive dividends or other distributions or any other rights with respect to the Shares until such time, if any, as it is delivered Shares and becomes registered as the holder thereof. In exercising any voting rights, the existing shareholders of Tabreed are not obliged to take account of the interests of the Certificateholders and, therefore, may act in a manner that may be contrary to the interests of the Certificateholders.

There is no assurance that the Certificates or the Shares to be issued upon exchange will be Sharia compliant

Copies of the pronouncement given on 20 April 2008 issued by the Sharia Advisory Board of Morgan Stanley regarding whether the structure and mechanism described in the Transaction Documents are in compliance with Sharia principles shall be distributed to prospective Certificateholders upon request by the Joint Lead Managers. However, there can be no assurance as to the Sharia permissibility of the structure or the issue and the trading of the Certificates and none of the Issuer, Tabreed nor the Joint Lead Managers make any representation as to the same. Investors are reminded that, as with any Sharia views, differences in opinion are possible. Investors should obtain their own independent Sharia advice as to the Sharia permissibility of the structure and the issue and the trading of the Certificates.

The Sharia Advisory Board of Morgan Stanley has confirmed that, in order for an investment in Shares of Tabreed to be Sharia compliant, Tabreed must comply with agreed financial ratios in respect of, *inter alia*, its conventional financial indebtedness. In the event that Tabreed is not in compliance with these ratios, the Shares may not be considered as being in compliance with Sharia principles. Investors should obtain their own independent Sharia advice as to the Sharia permissibility of holding such Shares following any exchange of Certificates.

Certain investors may be affected by provisions under the EC Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other counties). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying and Exchange Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying and Exchange Agent, the Issuer will be required to maintain a Paying and Exchange Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Subordination

Tabreed's obligations to pay any cash amounts under the Transaction Documents will be unsecured and subordinated and, upon the occurrence of any winding up proceedings with respect to Tabreed whereby Tabreed is unable to deliver any Shares, payment of any such cash amount may only be made by Tabreed provided that Tabreed is able to satisfy the Subordination Conditions at the time when payment needs to be made.

Although the Certificates pay a higher margin than comparable Certificates where the underlying obligations are not subordinated, there is a real risk that an investor in the Certificates will lose all or some of his investment should Tabreed become insolvent.

Certain Additional Risks

Suitability of Investment

The Certificates may not be a suitable investment for all investors.

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates or currency risks in circumstances in which the currency for principal is different from the potential investor's currency;

(d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Change of Law

The structure of the issue of the Certificates is based on English law, UAE law and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, UAE law or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Certificates.

Political, Economic and Related Considerations

The UAE has seen significant economic growth and relative political stability. There can be no assurance that such growth or stability will continue. Moreover, while the UAE's federal government policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Tabreed may also be adversely affected generally by political and economic developments in or affecting the UAE.

No assurance can be given that the UAE government will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing rates or exchange controls, or otherwise take actions which could have a material adverse effect on Tabreed's business, financial condition, results of operations or prospects or which could adversely affect the market price and liquidity of the Certificates.

The Issuer and/or Tabreed may be affected if there are regional, political or economic events that prevent the Issuer and/or Tabreed from delivering their services. It is not possible to predict the occurrence of such events or circumstances, or the impact of such occurrences and no assurance can be given that the Issuer and/or Tabreed would be able to fulfil their respective obligations if such events or circumstances were to occur. A general UAE downturn or instability in certain sectors of the UAE or regional economy, could have an adverse effect on Tabreed's business, financial condition, results of operations or prospects.

Consents to variation of Transaction Documents and other matters

The Declaration of Trust contains provisions permitting the Delegate (acting on behalf of the Certificate-holders) from time to time, and at any time without any consent or sanction of the Certificateholders, to make any modification to the Declaration of Trust and the Conditions of the Certificates if, in the opinion of the Delegate, such modification (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest or proven error, or (c) is not materially prejudicial to the interest of Certificateholders. Unless the Delegate otherwise decides, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall, in any event, be binding upon the Certificateholders.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive registered form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Certificates are represented by the Global Certificate, the Issuer will discharge its payment obligation under the Certificates by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Certificates. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interest in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

The Trust Assets

No investigation or enquiry has been made and no due diligence has been conducted in respect of the Trust Assets. Only limited representations have been obtained from Tabreed in respect of Cooling Asset A and will be obtained from Tabreed in respect of Cooling Asset B and the investments to be made in other construction activities.

Risks relating to enforcement

UAE Bankruptcy Law

In the event of Tabreed's insolvency, UAE bankruptcy law may adversely affect Tabreed's ability to perform under the Purchase Undertaking and therefore the Issuer's ability to make payments to Certificateholders. There is little precedent to predict how the claims on behalf of Certificateholders would be resolved in the case of any insolvency of Tabreed.

Enforcing Foreign Judgments in Dubai

The Dubai courts are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the relevant Transaction Documents. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of the Emirate of Dubai and UAE law and public policy. This may mean that the Dubai courts may seek to interpret English law governed documents as if governed by UAE law and there can, therefore, be no certainty that in those circumstances the Dubai courts would give effect to such documents in the same manner as the parties may intend.

Judicial precedent in the United Arab Emirates has no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the United Arab Emirates. These factors create greater judicial uncertainty.

Enforcement of Liabilities

Ultimately, the payments under the Certificates are dependent upon Tabreed making payments to the Issuer under the Lease Agreement, the Purchase Undertaking and the Istisna'a Agreement. If Tabreed fails to do so, it may be necessary to bring an action against Tabreed to enforce its obligations before the UAE courts, which may be costly and time consuming.

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following selected financial information for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 should be read in conjunction with the Company's audited consolidated financial statements and schedules and notes thereto included elsewhere in this Prospectus.

The selected audited consolidated income statement data and balance sheet data for the years ended 31 December 2005, 31 December 2006 and 31 December 2007 set forth below have been derived from the Company's audited consolidated financial statements for such years, which have been prepared in accordance with IFRS and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and have been audited by Ernst & Young, the Company's independent statutory auditor.

Income Statement Data

	For the Year Ended 31 December		
	2007	2006	2005
		(AED '000)	
Revenue	549,300	469,995	400,904
Operating costs	(312,063)	(280,975)	(248,988)
Gross Profit	**237,237**	**189,020**	**151,916**
Salaries and staff related costs	(59,851)	(37,001)	(30,753)
Other administrative expenses	(56,686)	(47,561)	(38,595)
Provision for impairment of property, plant and equipment	—	(197)	—
Finance costs	(68,697)	(51,305)	(35,433)
Other income	37,083	70,684	20,034
Share of results of associates	12,077	1,617	478
Profit for the year	**101,163**	**125,257**	**67,647**
Attributable to:			
Equity holders of the parent	71,907	104,406	51,140
Minority interests	29,256	20,851	16,507
	101,163	125,257	67,647
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	0.06	0.10	0.05

Balance Sheet Data

	As at 31 December		
	2007	2006	2005(1)
		(AED '000)	
Assets			
Non-current assets			
Capital work in progress	1,123,746	755,482	642,921
Property, plant and equipment	2,018,188	1,282,344	1,004,108
Investments in associates	193,690	109,440	46,002
Intangible assets	38,344	38,334	38,336
Available for sale investments	8,487	1,880	—
Loan to an associate	42,029	—	—
Prepayments	—	—	18,349
	3,424,484	2,187,480	1,749,716

	As at 31 December		
	2007	2006	2005(1)
		(AED '000)	
Current assets			
Inventories	34,306	27,235	17,651
Trade and other receivables	314,977	879,778	207,007
Financial assets carried at fair value through income statement	117,390	108,032	76,269
Contract work in progress	179,031	111,947	69,211
Prepayments	7,774	4,203	7,453
Bank balances and cash	430,262	866,510	520,032
	1,083,740	1,997,705	897,623
Assets classified as held for sale	—	—	17,867
	1,083,740	1,997,705	915,490
Total Assets	**4,508,224**	**4,185,185**	**2,665,206**
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	1,134,000	1,050,000	1,000,000
Treasury shares	(10,050)	(10,050)	(10,050)
Statutory reserve	36,478	27,303	14,544
Retained earnings	10,730	27,378	22,881
Cumulative changes in fair value of derivatives and available for sale investments	(8,509)	9,500	3,800
Reserve for proposed bonus issue	79,380	84,000	50,000
Foreign currency translation reserve	(145)	(374)	—
	1,241,884	1,187,757	1,081,175
Minority interests	132,971	121,938	64,601
Total equity	**1,374,855**	**1,309,695**	**1,145,776**
Non-current liabilities			
Accounts payable and accruals	77,444	36,468	10,604
Term loans	1,092,742	688,830	393,836
Islamic Ijara loans	186,467	185,559	308,809
Islamic Istisna'a loans	906,072	897,544	180,075
Islamic Muqawala loans	7,308	15,641	132,263
Obligations under finance lease	48,635	51,610	—
Employees' end of service benefits	11,267	8,225	7,884
	2,329,935	1,883,877	1,033,471

	As at 31 December		
	2007	2006	2005(1)
		(AED '000)	
Current liabilities			
Accounts payable and accruals	672,904	429,555	318,919
Bank overdraft.	61,626	280,322	111,933
Term loans	57,595	41,024	25,416
Islamic Ijara loans	—	121,384	15,514
Islamic Muqawala loans	8,334	116,622	14,177
Obligations under finance lease	2,975	2,706	—
	803,434	991,613	485,959
Total liabilities	**3,133,369**	**2,875,490**	**1,519,430**
Total Equities and Liabilities	**4,508,224**	**4,185,185**	**2,665,206**

Selected Cash Flow Data

	For the Year Ended 31 December		
	2007	2006	2005
		(AED '000)	
Net cash from operating activities	**300,098**	**36,569**	**224,814**
Net cash used in investing activities	**(678,216)**	**(967,272)**	**(700,760)**
Net cash from financing activities	**160,566**	**1,108,792**	**656,156**
(Decrease)/Increase in cash and cash equivalents	(217,552)	178,089	180,210
Cash and cash equivalents at 1 January	586,188	408,099	227,889
Cash and cash equivalents at 31 December	**368,636**	**586,188**	**408,099**

Note:

(1) Balance Sheet data set out in the above table as at 31 December 2005 has been extracted from the Company's audited consolidated financial statements and schedules for the year ended 31 December 2006 (the "2006 Financial Statements") which were restated in the manner set out in the 2006 Financial Statements.

THE GLOBAL CERTIFICATE

The following is a summary of the provisions to be contained in the Global Certificate which will apply to, and in some cases modify, the Terms and Conditions of the Certificates while the Certificates are represented by the Global Certificate. Terms defined in the Conditions have the same meaning in the paragraphs below.

Holders

For so long as all of the Certificates are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate face amount of such Certificates (each, a "Holder") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate face amount of such Certificates (and the expression "Certificateholders" and references to "holding of Certificates" and to "holder of Certificates" shall be construed accordingly) for all purposes other than with respect to payments on such Certificates, the right to which shall be vested, as against the Issuer and the Trustee, solely in the Common Depositary in accordance with and subject to the terms of the Global Certificate. Each Holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Common Depositary.

Cancellation

Cancellation of any Certificate following its redemption by the Issuer will be effected by the reduction in the aggregate face amount of the Certificates in the Register of Certificateholders and by the annotation of the appropriate schedule to the Global Certificate.

Payments

Payments of any Annual Distribution Amount, any Dividend Amounts and any payment to be made in relation to an Insolvency Dissolution Event in respect of Certificates represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Certificate, against presentation and surrender of the Global Certificate to or to the order of the Principal Paying and Exchange Agent or such other Agents as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying and Exchange Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

Voluntary Early Redemption following a Change of Control

For so long as all of the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Certificateholders provided for in Condition 6.2 may be exercised by an entitled Certificateholder giving notice to the Principal Paying and Exchange Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying and Exchange Agent by electronic means) of the face amount of the Certificates in respect of which such option is exercised and at the same time presenting or procuring the presentation of the Global Certificate to the Principal Paying and Exchange Agent for notation accordingly within the time limits set forth in that Condition.

Delivery of Shares

Delivery of Shares in respect of a Redemption Date will be made in accordance with the delivery instructions specified in each Exercise Notice duly completed by or on behalf of a holder of a book-entry interest in the Certificates and delivered to the specified office of the Principal Paying and Exchange Agent or such other Paying and Exchange Agent as shall have been notified to the Certificateholders for such purpose.

Notices

So long as all the Certificates are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Certificateholders may be given by delivery of the relevant notice to the clearing system for communication by it to entitled Holders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Certificateholders on the third day after the day on which such notice is delivered to the relevant clearing systems.

Registration of Title

Registration of title to Certificates in a name other than that of the Common Depositary will not be permitted, except as provided under "Definitive Certificates" below unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Certificate may be transferred into the names of holders notified by the Common Depositary in accordance with the Conditions, except that Certificates in respect of Certificates so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Certificate in a name other than that of the Common Depositary for a period of seven calendar days preceding the due date for any payment of the Dissolution Distribution Amount or Annual Distribution Amount in respect of the Certificates.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants.

Definitive Certificates

Interests in the Global Certificate will be exchangeable for Certificates in definitive form ("Definitive Certificates") upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) a Dissolution Event has occurred and is continuing or (ii) the Issuer has been notified that Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. In any such event, the Issuer will issue Definitive Certificates (in exchange for the whole of the Global Certificate) within 45 days of the relevant Exchange Event upon presentation of the Global Certificate by the person in whose name the Global Certificate is registered in the Register at the offices of the Principal Paying and Exchange Agent on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Principal Paying and Exchange Agent has its office.

PRONOUNCEMENT

Copies of the pronouncement given on 20 April 2008 issued by the Sharia Advisory Board of Morgan Stanley regarding whether the structure and mechanism described in the Transaction Documents are in compliance with Sharia principles shall be distributed to prospective Certificateholders upon request to the Joint Lead Managers.

Prospective Certificateholders should not rely on the pronouncement referred to above in deciding whether to make an investment in the Certificates and should consult their own Sharia advisers as to whether the proposed transaction described in the pronouncement referred to above is in compliance with Sharia principles. In addition, prospective Certificateholders should be aware that different Sharia scholars and other persons may hold different views as to the interpretation and application of Sharia principles in the context of the Certificates.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

Pursuant to the Declaration of Trust, the Issuer will declare that it will hold the Trust Assets upon trust absolutely for the holders of the Certificates pro rata according to the face amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

Istisna'a Agreement

On the Closing Date, the Issuer and the Contractor shall enter into an Istisna'a Agreement under which the Issuer will pay, in consideration for the Contractor procuring the construction, manufacturing and delivery of the Cooling Assets, a total amount of AED1,700,000,000 (the "Istisna'a Amount") which shall be payable to the Contractor on the Closing Date.

On the Closing Date the Contractor shall, following the manufacture and/or construction and delivery of the construction works and/or equipment and/or machinery forming part of each of the following Cooling Assets ("Cooling Asset A") having a book value representing, at the Closing Date, not less than 33 per cent. of the Istisna'a Amount, notify the Issuer in accordance with the terms of the Istisna'a Agreement and transfer the title and risk of loss or damage to Cooling Asset A to the Issuer:

	Installed Capacity (tons)	**Expected Commissioning Date**
AJ —02 Ajman —02 Ph II	10,000	September 2008
AD —12 Mohamed Bin Zayed City —Plant Room (Ph II)	10,000	June 2008
T — 07 Tabreed 7	8,000	April 2009
AD — 01 Muroor Expansion Ph III	7,500	Completed
AD — 09 Airport Road (Police Guard)	35,000	June 2009
DB — 05 SZR II	7,500	October 2008
DM — 01 Jebel Ali Industrial	7,500	April 2009
DM — 02 Al Rigga	10,000	April 2009
DM — 03 Al Rashidiya Plant	9,375	April 2009
DM — 04 Kifaf	12,500	April 2009
DM — 05 Al Barsha	9,375	April 2009
DM — 06 Jebel Ali-Jumeirah Plant	7,500	April 2009
AL — 04 Al Ain University	15,000	September 2008
AL — 05 Al Ain Wadi Plant room	2,500	September 2008
AD — 11 Spinneys Scheme	10,000	August 2008
AD — 05 Bainoona Distribution Piping	12,500	November 2009
AD - 07A Higher College of Tech (Modular Chiller Installation)	2,500	Completed
T — 08 Tabreed 8	11,875	June 2009
SW — 01 AL Sowah Plant Room	30,000	May 2009
AD — 15 Mahawi Camp	1,500	July 2008
RK — 01 RAK Exp	7,500	January 2009
AD — 08 New Souk	30,000	November 2009
YI — 01&02 Yas Island	55,000	August 2009
MS-01 Exp	2,400	June 2008

Thereafter, the Contractor shall, following the manufacture and/or construction and delivery of the construction works and/or equipment and/or machinery forming part of each of the following Cooling Assets ("Cooling

Asset B"), notify the Issuer in accordance with the terms of the Istisna'a Agreement and transfer the title and risk of loss or damage to Cooling Asset A to the Issuer from time to time:

	Installed Capacity (tons)	Expected Commissioning Date
DM — 01 Jebel Ali Industrial	7,500	April 2009
DM — 02 Al Rigga	10,000	April 2009
DM — 03 Al Rashidiya Plant	9,375	April 2009
DM — 04 Kifaf	12,500	April 2009
DM — 05 Al Barsha	9,375	April 2009
DM — 06 Jebel Ali-Jumeirah Plant	7,500	April 2009

At any time during the term of the Certificates the Contractor may replace all or any part of the Cooling Assets to be delivered under the Istisna'a Agreement by Cooling Assets or parts of Cooling Assets whose estimated cost is equal to that of the replaced Cooling Assets.

Upon termination of the Istisna'a Agreement for whatever reason prior to the delivery of all Cooling Assets, the Contractor will be obliged to return to the Issuer an amount equal to the Istisna'a Amount less the Base Amount. However, the Issuer waives the right to receive this amount (except following a Dissolution Event) against the obligation by Tabreed to deliver Shares and/or pay other amounts under any other Transaction Document. Any payment of any amounts by Tabreed following a Dissolution Event will only be made to the Trustee provided that the Subordination Conditions have been satisfied.

Lease Agreement

Under the terms of a Lease Agreement, between the Issuer as lessor and Tabreed as lessee, Tabreed undertakes to lease each item of Cooling Asset upon completion of its construction and handover to the Issuer from time to time (the "Delivered Cooling Assets") in accordance with the Istisna'a Agreement. Under the terms of the Lease Agreement, Tabreed agrees to use the Delivered Cooling Assets at its own risk and to bear the entire risk of loss of or damage to the Delivered Cooling Assets or any part thereof arising from the negligent or improper usage or operation thereof by Tabreed. Payments by the Lessee under the Lease Agreement will only be made to the Trustee provided that the Subordination Conditions have been satisfied.

Under the terms of the Lease Agreement, Tabreed shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair required in respect of the Delivered Cooling Assets. "Ordinary Maintenance and Repair" means all repairs, replacements, acts, and maintenance and upkeep works required for the general usage and operation of the Delivered Cooling Assets and to keep, repair, maintain and preserve the Delivered Cooling Assets in good order and condition, and in compliance with such maintenance, repair and upkeep standards and procedures generally expected in the ordinary course of business.

At any time during the term of the Sukuk, Tabreed may substitute all or any part of the Delivered Cooling Assets provided they are replaced by Cooling Assets of equal book value.

Under the terms of the Lease Agreement, the Issuer will be responsible for the performance of all Major Maintenance in relation to the Delivered Cooling Assets from the Handover Date in respect thereof and shall procure that the Service Agent, in accordance with the terms and conditions set out in the Service Agency Agreement, shall perform all Major Maintenance and procure appropriate insurance policies. "Major Maintenance" means all repairs, replacements, acts and maintenance required in respect of the Delivered Cooling Assets other than Ordinary Maintenance and Repair.

To the extent that a Total Loss Event occurs, Tabreed shall be obliged, in consideration for and subject to the obligation of the Issuer to pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event, to sell to the Issuer further Cooling Assets or other Sharia compliant assets (the "Further Parts") having a value equal to the outstanding face amount of the Certificates and with an expected profit of not less than the then scheduled Rental Amount. The Issuer shall procure that the Service Agent pays any insurance monies received in respect of the Cooling Assets the subject of such Total Loss Event to Tabreed in consideration for the Further Parts in accordance with the terms of the Service Agency Agreement.

Under the Lease Agreement, if a Dissolution Event occurs the Lessor shall be entitled to terminate the Lease Agreement if so required under the terms of the Declaration of Trust. Upon such termination the Lessee shall be obliged to pay to the Lessor, provided that the Subordination Conditions have been satisfied, an amount equal to any Rental Amount accrued but unpaid up to (but excluding) the date of such termination.

Subordination Conditions

The Relevant Obligations payable by Tabreed to the Issuer are subordinated in right of payment to the claims of all Senior Creditors of Tabreed and, accordingly, payments in respect of the Relevant Obligations by Tabreed are conditional upon:

(i) Tabreed being Solvent at the time when payment needs to be made; and

(ii) Tabreed being able to make payment of the Relevant Obligation and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank *pari passu* with the Relevant Obligation and still be Solvent immediately thereafter.

If any Relevant Obligation becomes due and payable in accordance with the terms of the Transaction Documents, Tabreed shall provide the Issuer with a certificate confirming whether or not Tabreed has satisfied the Subordination Conditions;

"Relevant Obligations" means:

(a) in respect of the Lease Agreement, payment of the Rental Amount;

(b) in respect of the Purchase Undertaking, payment of the Base Amount, the Supplementary Amount and any Dividend Amounts;

(c) in respect of the Istisna'a Agreement, the amounts payable, if any, in accordance with clause 6.3 of the Istisna'a Agreement; and

(d) in respect of the Sale Undertaking, payment of a cash amount in respect of the Supplementary Amount (if any) and any Dividend Amounts;

"Senior Creditors" means creditors of Tabreed (including issuers of obligations similar to the Certificates to include, *inter alia*, any obligation of Tabreed in respect to any trust certificates issued by any other entity with recourse to Tabreed and any trade creditors of Tabreed) other than creditors in respect of obligations where, by the terms of such obligations, the claims of the creditors rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee in respect of the Relevant Obligations;

"Solvent" means that (i) Tabreed is able to pay its debts to Senior Creditors as they fall due and (ii) its assets exceed its liabilities to Senior Creditors;

"Total Loss Event" means (i) the total loss or destruction of the Cooling Assets or (ii) the compulsory acquisition, confiscation or expropriation of the whole of the Cooling Assets.

Purchase Undertaking

Tabreed will enter into the Purchase Undertaking on or about the Closing Date pursuant to which Tabreed will irrevocably undertake to purchase all or part, as applicable, of the Assets (comprising Delivered Cooling Assets and/or Further Parts (as defined below)) following the issue of a notice under the Purchase Undertaking from the Issuer in its capacity as Trustee, which the Issuer shall serve (or procure the service thereof) on Tabreed:

(i) at any time following the occurrence of any Insolvency Dissolution Event;

(ii) no more than 20 Trading Days following the occurrence of a Dissolution Event (that is not an Insolvency Dissolution Event) (if any);

(iii) at least 25 Trading Days prior to any Change of Control Redemption Date; or

(iv) unless all of the Assets have already been sold to Tabreed pursuant to a Transaction Document, at least 25 Trading Business Days prior to the Maturity Date,

in each case in the form prescribed in the Purchase Undertaking, against issue, allotment and delivery of the Shares to Certificateholders who satisfy the preconditions set out in the Conditions and have properly served notices in accordance with the Conditions by means of Physical Settlement in accordance with the terms and subject to the conditions of the Purchase Undertaking, except in the case of (i) above only, in which case Tabreed shall become obliged, subject to satisfaction of the Subordination Conditions, to pay the aggregate of the Base Amount, the Additional Amount and any Dividend Amounts in dirham cash in accordance with the terms and subject to the conditions of the Purchase Undertaking, and in the case of (ii), (iii) and (iv) above, to the extent they relate to payments of cash amounts equal to the Additional Amount and any Dividend Amounts and in the case of (ii) and (iii) the Supplementary Amounts, provided that the Subordination Conditions have been satisfied.

Upon the occurrence of an event contemplated under (ii), (iii) or (iv) above, Tabreed shall deliver to the Trustee a Sharia Financial Ratio Notice confirming certain agreed ratios in respect of its indebtedness and assets in the form set out in the Purchase Undertaking.

Sale Undertaking

On or about the Closing Date, the Trustee shall execute the Sale Undertaking in favour of Tabreed. Pursuant to the Sale Undertaking, the Issuer shall undertake to sell all or part of the Delivered Cooling Assets and/or Further Parts to Tabreed following not less than 25 Trading Days prior to the Tax Redemption Date (as defined in Condition 6.5) against the issue, allotment and delivery by Tabreed of the number of Shares to Certificateholders that satisfy the preconditions set out in the Conditions and having properly served notices in accordance with the Conditions as required under Condition 18 by way of Physical Settlement, except following an Insolvency Dissolution Event only, in which case Tabreed shall pay, provided that the Subordination Conditions have been satisfied, the Exercise Price, together with an amount equal to the Additional Amount and any Dividend Amounts, in dirham cash in accordance with the terms and subject to the conditions of the Sale Undertaking.

In making any demand for such sale, Tabreed will deliver to the Issuer and the Trustee a Sharia Financial Ratio Notice confirming certain agreed ratios in respect of its indebtedness and assets in the form set out in the Sale Undertaking.

Costs Undertaking

Pursuant to the Costs Undertaking to be executed by Tabreed, Tabreed will agree to pay certain fees and expenses arising in connection with the issue of the Certificates and under the Transaction Documents.

Service Agency Agreement

Under the terms of the Service Agency Agreement, the Service Agent will, *inter alia*, be responsible on behalf of the Issuer for the performance of all Major Maintenance in respect of the Delivered Cooling Assets and/or Further Parts, payment of Cooling Asset ownership taxes and the procuring of insurances in accordance with good industry practices as of the Closing Date.

The Service Agent will pay any insurance monies received in respect of a Total Loss Event to Tabreed on behalf of the Issuer in consideration for the transfer by Tabreed of the Further Parts to the Issuer.

USE OF PROCEEDS

The proceeds of the issue of the Certificates, being AED1,700,000,000 (less commissions and expenses payable in connection with the issue of the Certificates), will be used by the Issuer to purchase and/or invest in Assets all in accordance with the terms of the Transaction Documents.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Company as at 31 December 2007. This table should be read in conjunction with the Financial Statements and the related notes appearing thereto included elsewhere in this Prospectus and with the information set forth in "Selected Financial Information of the Company". The information set out below has been prepared in accordance with IFRS and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended).

	As at 31 December 2007
	(AED '000)
Short-term liabilities	
Secured liabilities	130,530
Unsecured liabilities	672,904
Total short-term liabilities	**803,434**
Long-term liabilities	
Secured liabilities	2,241,224
Unsecured liabilities	88,711
Total long-term liabilities	**2,329,935**
Shareholders' funds	
Issued Share capital	1,134,000
Treasury shares	(10,050)
Reserves and surplus	117,934
Minority interests	132,971
Total shareholders' funds	1,374,855
Total capitalisation	**4,508,224**

NATIONAL CENTRAL COOLING COMPANY (TABREED) PJSC

Overview

Business

National Central Cooling Company (Tabreed) PJSC (hereafter referred to as "Tabreed" or the "Company") is one of the leading suppliers of district cooling services in the United Arab Emirates (the "UAE"). Tabreed designs, engineers, finances, constructs and operates district cooling facilities that supply chilled water for air conditioning. In addition, the Company has expanded its district cooling operations by establishing subsidiaries and associate companies in Qatar, Bahrain, Jordan, Oman, Saudi Arabia and Kuwait. The Company has also developed a number of subsidiary companies which service the district cooling and air conditioning industry ("Value Chain Businesses").

Tabreed currently operates 31 district cooling plants in the UAE (of which it wholly owns 22 in the UAE) from which it sells chilled water air conditioning services to customers that are connected to the relevant distribution network. Tabreed and its subsidiaries own approximately 227,000 refrigeration tons ("tons") of capacity in the GCC region, of which approximately 220,000 tons is in the UAE and approximately 7,000 tons is in Bahrain. Tabreed operates approximately further 97,000 tons through associates, of which approximately 67,000 tons is in the UAE and approximately 30,000 tons is in Qatar. In addition, based on existing arrangements, Tabreed has in the GCC region a 722,000 ton pipeline of projects under construction/development (of which approximately 471,000 tons in the UAE) and a 473,000 ton pipeline of potential new projects (of which approximately 200,000 ton in the UAE), expected to be installed by the end of 2010.

Share Capital

Tabreed's current authorised and issued share capital is AED 1.213 billion. The Company is listed on the Dubai Financial Market ("DFM") and has a wide shareholder base, with the largest single shareholding being 7.93 per cent. as at 12 March 2008 (see "Management and Shareholders — Major Shareholders"). Its shareholders include government bodies and investment institutions, private offices of high net worth individuals, overseas investors and the public.

History

Tabreed was incorporated on 17 June 1998 as a public joint stock company with unlimited duration pursuant to the UAE Commercial Companies Law Number 8 of 1984 (as amended), and operates under Dubai licence number 506206. The registered office of Tabreed is at PO Box 32444, Dubai, United Arab Emirates and the telephone number is +971-4-3404422.

Following incorporation, Tabreed acquired Gulf Energy Systems LLC ("GES") in 1998 and signed a contract with the UAF in 1999 to own and operate a 3,800 ton district Cooling Asset at Zayed Military City. Subsequently, Tabreed has become the first commercial provider of district cooling services in the region.

Strategy

According to a Goldman Sachs Report dated 1 October 2007 (the "Goldman Sachs Report"), Tabreed is the leading provider of district cooling services in the Middle East. Tabreed's objective is to maintain its leading position in the region by creating a solid base of customer contracts and assets through:

(a) Being the district cooler of choice, by entering into long term relationships with major real estate developers; and

(b) Maintaining and developing its position with existing customers.

The key elements of achieving this strategy are:

- Diversification of its customer base;
- Continuing to demonstrate the economic and environmental benefits of district cooling;
- Further expansion in the UAE and throughout the Gulf region; and
- Investing in technology and customer service capabilities to ensure seamless service.

Tabreed targets the following categories of buildings for district cooling services:

- Large multi-storey buildings, particularly new developments;

- Institutional complexes such as military bases, government buildings, universities and schools, hospitals and mosques;
- Commercial complexes, such as officer towers, shopping malls and industry parks, airports and ports;
- Leisure facilities such as hotels, stadia, amusement parks, cinemas and theatres; and
- Large residential clusters, such as multi-storey buildings and housing compounds.

The current boom in the real estate markets in the UAE and the GCC provides a great opportunity to develop district cooling in the region. Tabreed intends to seize this opportunity and create a solid base of customer contracts and assets that will "lock in" its revenues for the next 20 years.

Competitive Strengths

The following factors give the Company competitive advantages in the district cooling industry in the UAE and the GCC:

- **Leading position in the district cooling industry in the GCC region**

  The Company has been the leading commercial provider of district cooling services since it acquired GES in 1998. The Company currently operates 31 Cooling Assets (of which it wholly owns 22). This sound base of operating assets provides a stable platform for growth. District cooling is a capital intensive method of air conditioning, with new Cooling Assets requiring substantial capital to build. The Company believes that this has been, and will remain in the future, a significant deterrent to potential competitors.

- **Attractive market fundamentals**

  In the hot and humid climate of the GCC, air conditioning tends to be regarded as a basic necessity. Air conditioning accounts for the single largest consumption of power in the UAE, being an estimated 70 per cent. of peak demand for power (source: EFG Hermes report dated 30 November 2005). District cooling systems are principally used in regions where there is dense urban development, rapid economic growth and new development and high per capita spending on air conditioning. The Company believes that the GCC is a particularly attractive district cooling market, especially due to the high concentration of development in the major cities and the high temperatures and humidity levels which prevail.

- **Superior economic and environmental benefits compared to traditional air conditioning**

  District cooling provides significant competitive advantages over traditional air conditioning systems to customers, municipalities and state governments and the environment (see "Industry — Benefits of district cooling").

- **Highly experienced management team with a successful track record**

  The Company's management has a strong track record in the district cooling industry in the GCC. The team is led by highly experienced senior management who have many years of relevant industry experience (see "Management and Shareholders").

- **Low risk operating model**

  The Company's strategy is to build new plants in areas with significant potential demand for district cooling services. The Company seeks to secure long-term contracts (typically 20 years) with large "anchor" customers which it considers to be credit worthy. The future revenue from these plants is expected to cover the capital and operating costs. Typically, these plants are built with the potential for additional capacity to service future customers and such expansions are usually more profitable than the base plants themselves.

- **Low counterparty credit risk**

  A significant proportion of the Company's revenue comes from long-term contracts with various bodies of the UAE Government (which has been awarded a long-term credit rating of Aa2 (stable outlook) by Moody's Investors Service Limited) including, in particular, the UAF, which accounted for approximately 47 per cent. of the Company's year-end installed capacity (owned directly and through subsidiaries) and 67 per cent. of the Company's district cooling revenues as at 31 December 2007.

- **Financial Strength**

  The Company has a strong capital base with a share capital of AED 1.213 billion and has a track record of over eight years of profitability. The Company has accessed the capital markets several times in the past and management believes that it has good relations with its investors. The Company also has an investment grade rating of BBB minus, stable outlook, from Standard & Poor's.

- **Strong Shareholder and Joint Venture Partners**

  Shareholders

  Apart from having major government customers, Tabreed's main shareholders include many government entities and members of the UAE ruling family.

  Joint Venture Partners

  The Company has strong joint venture partners which include Sumitomo Corporation ("Sumitomo"), United Development Company ("UDC"), Aldar Properties PJSC ("Aldar"), Sorouh PJSC ("Sorouh"), Al Abdali Development & Investment Company ("AAID") and others (see "— District Cooling — Chilled Water — District Cooling Subsidiaries/Associates in the UAE" and "— District Cooling — Chilled Water — District Cooling Subsidiaries/Associates outside the UAE").

- **Operational Excellence**

  Execution of Projects

  The Company has specialist in house EPC Contractors — SNC Lavalin Gulf Contractors ("SLGC") and the Company has a long track record of project execution with 31 Cooling Assets commissioned to date.

  Reputation for Service Delivery

  Since 1999, Management believes that Tabreed's district cooling schemes have had an average reliability of 99.98 per cent. Such reliability percentage takes into account outages due to utility power failure, water shortage and natural gas interruption, which are factors outside the Company's control.

  Efficient Business Systems and Processes

  Tabreed has acquired the following industry certificates:

  - ISO 9001:2000 (quality control), ISO 14001:1996 (environment management); and
  - OHSAS 18001:1999 (occupational health and safety management).

Principal Business Segments

The principal business segments of Tabreed comprise Chilled Water and Value Chain Businesses:

Chilled Water

The provision of district cooling services represents the core business activity for Tabreed.

Value Chain Businesses

Tabreed has developed subsidiaries or entered into joint ventures in the following business segments to service the district cooling and air conditioning industry:

- *Manufacturing:* Emirates Pre-insulated Pipes & Industries ("EPPI") manufactures and sells insulated piping systems for district cooling and other energy related applications.
- *Services:* Tabreed provides ancillary services, including engineering, maintenance, technical and consultancy services, through its subsidiaries, Ian Banham and Associates, Installation Integrity 2000 LLC, BAC Balticare Gulf LLC and Tabreed Captive Insurance Company BSC.
- *Contracting:* GES provides contracting services for the conversion of existing buildings to ensure compatibility with its district cooling system. SNC Lavalin Gulf Contractors ("SLGC"), a joint venture between Tabreed and SNC Lavalin International ("SNC Lavalin"), provides design and construction services to Tabreed for its district cooling projects.

The following shows the segment results before depreciation in 2007 and 2006 for all segments[1]:

	2007		2006	
	(AED mn)	(% growth)	(AED mn)	(% growth)
Chilled Water	71.3	(45.3)[2]	130.4	107.0
Contracting	21.1	(6.6)	22.6	4.6
Servicing	58.3	75.1	33.3	108.0
Manufacturing	35.6	19.1	29.9	(9.4)
Total	**186.3**	**(13.8)**	**216.2**	**61.8**

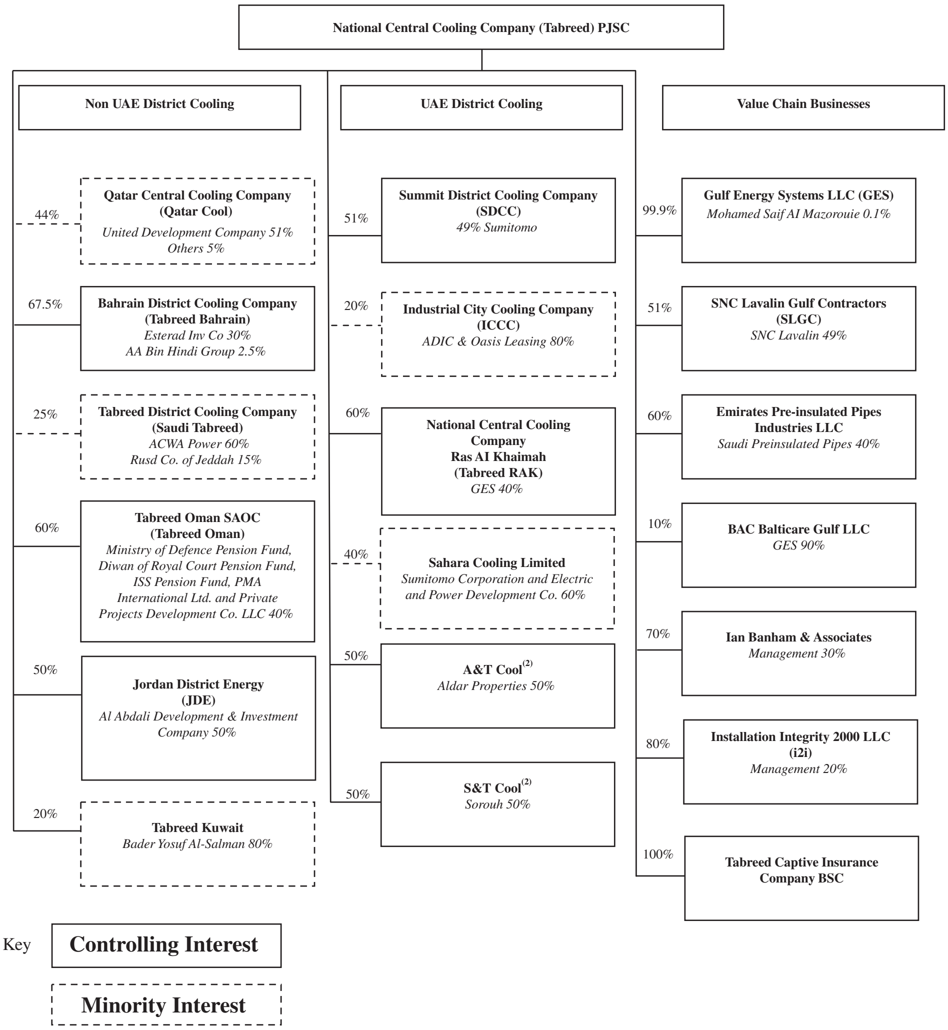
Notes:

(1) The figures in the above table have not been adjusted for transfers between business segments.

(2) 2006 results for Chilled Water include an AED 40.6 mn gain on sale of district cooling assets. In 2007, the drop in Chilled Water segment result reflects the absence of such a one-off gain, and also the absence of revenue from the assets sold (the sale took place at the end of 2006).

Organisational Structure

The following organisational structure chart shows the subsidiaries and associate companies of Tabreed in its three main divisions (i) UAE District Cooling, (ii) Non-UAE District Cooling and (iii) Value Chain Businesses:



Notes:

(1) Tabreed Holdings WLL, an intermediate holding company, created to hold the non UAE district cooling subsidiaries and associates, is not shown for simplicity. See "— District Cooling — Chilled Water — District Cooling Subsidiaries/Associates outside the UAE".

(2) Company to be formed.

District Cooling — Chilled Water

Introduction

Tabreed's core business activity is the provision of district cooling services for air conditioning systems in the UAE, Qatar, Bahrain, Jordan, Oman, Saudi Arabia and Kuwait.

The District Cooling — Chilled Water segment contributed AED 192.8 million of turnover, representing approximately 35.1 per cent. of the Company's revenue, for the financial year ended 31 December 2007.

Contractual Overview

Contracts for Provision of Chilled Water

Before building any new project, Tabreed secures a long-term (usually 20 years) off-take agreement with an "anchor" customer or "anchor" customers which Tabreed judges to be creditworthy. Customers are charged a tariff, which consists of up to three parts:

(a) A connection fee which is a one off "up front" fee payable in one or two instalments soon after the long-term customer contract is entered into (the "Connection Fee");

(b) A fixed periodic (usually monthly) charge for the availability and maintenance of the system (the "Capacity Charge"); and

(c) A variable charge based on units of consumption (the "Consumption Charge").

The Capacity Charge is set by reference to the investment in constructing the plant, fixed costs incurred in operating the plant, plus a target return on investment and it is subject to inflation adjustments. The Consumption Charge is set by reference to the variable costs incurred to produce the volumes of refrigeration tons consumed. In some cases the Consumption Charge is subject to a minimum amount. Tabreed is not exposed to changes in gas, electricity and water costs and most other costs incurred in relation to materials used for cooling, as changes in these costs result in changes to the Consumption Charge and are, therefore, passed through to customers. Customers may or may not have to pay for connection to the system, but do have to pay for any structural changes required to their own buildings to enable these buildings to accept district cooling.

With the exception of the Connection Fee in respect of which most customers are invoiced on connection, customers are invoiced on a monthly basis and payment is made by most customers by bank transfer. Consumption is measured by sophisticated measuring systems that monitor the flow of water and supply and return temperature. From this data, the amount of energy used is calculated in British Thermal Units ("BTU") and converted into ton-hours. The metering systems are read monthly. Customers are billed in accordance with the meter readings and the terms of the relevant contract.

Except in circumstances beyond the Company's control, failure to provide a continuous service for more than a 24 hour period results in a pro rata adjustment to the applicable Capacity Charge based on the amount of time during which service was not provided. Tabreed has the right under its commercial contracts to suspend the supply of chilled water in the event of late payment by the customer.

Key provisions of a typical cooling services agreement of Tabreed are:

- An initial term of 20 years;
- On expiry of the initial term, the agreement is automatically extended and continued until either party delivers a notice of termination;
- Cooling capacity to be committed;
- Customer's obligations, including setting up facilities such as piping in its premises to receive and utilise district cooling services;
- Company's obligations, including setting up the central chilling plant and delivering the chilled water to the customer at the agreed point of delivery;
- Details of charges, including the Connection Fee, the Capacity Charge and the Consumption Charge;
- Provision to increase the Capacity Charge, subject to inflation adjustments; and
- Provision to increase the Consumption Charge based on changes in prices of basic units of consumption.

Advantages associated with long-term contracts include:

- Stability of off-take;
- Commitment of customers before capacity is installed;
- Price protection and profit enhancement with respect to inflation and related cost escalation factors; and
- Overall reduction in market risk in a highly capital intensive business.

Contracts for Construction of District Cooling Plants and Systems

Tabreed undertakes a conceptual design for a plant, and awards the engineering, procurement and construction ("EPC") lump sum contract on that basis.

The EPC contracts conform to the Federation Internationale des Ingenieurs Conseils standard. Separate contracts are awarded for the cooling plants and the distribution systems. For cooling plants in the UAE, Tabreed primarily uses its own contracting joint venture formed with SNC Lavalin, called SLGC, which is described further under "— Value Chain Businesses — Contracting". Contractors for the distribution systems are selected on a competitive basis.

Contracts for Fuel and Water

Tabreed pays standard market tariffs for the supply of electricity and water. In the UAE, gas is supplied at a fixed rate (reviewed annually) pursuant to a five year renewable supply contract with the Abu Dhabi National Oil Company ("ADNOC") which is due to expire in April 2011. Increases in cost of fuel and water can be passed through to customers. There are no long-term contracts for supply of utilities outside of the UAE.

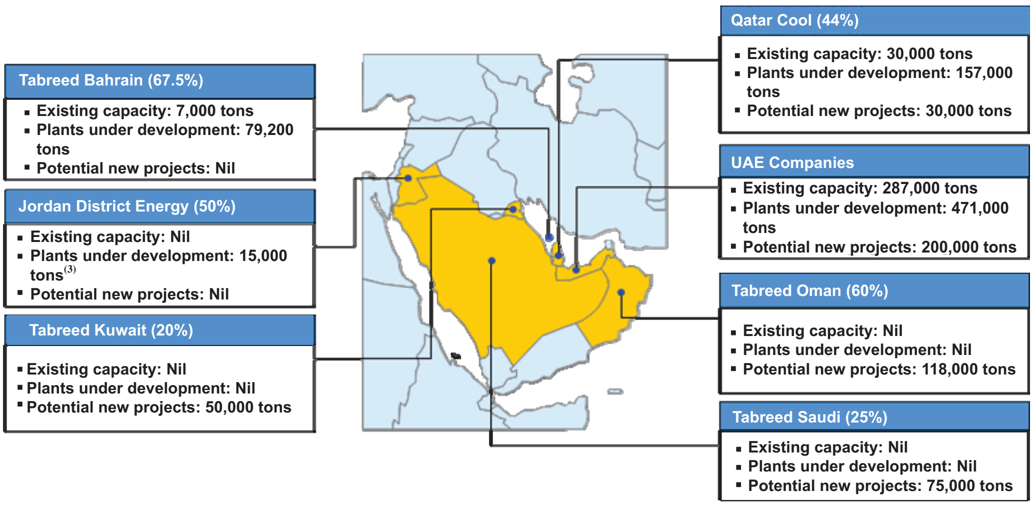
Supply Linkages

As described above, Tabreed has a supply agreement with ADNOC for procuring natural gas which is used in some of its plants. Water and electricity are bought from the local utilities. Although there are no contracts in excess of five years, supply constraints are not envisaged in the foreseeable future as the local utilities (Abu Dhabi Distribution Company, Al Ain Distribution Company, Dubai Electricity and Water Authority and Federal Electricity and Water Authority) have not indicated an inability to meet Tabreed's requirements to date.

Out of the total installed capacity of operating plants, just over 41 per cent. of operating plants rely on gas. This is expected to reduce in the future to about 15 per cent. after the commissioning of all the projects listed under "— New Projects".

Plant Capacities in the region(1)(2)

The following map shows Tabreed's footprint and its medium-term development plans in the region:



Notes:

(1) Criteria applied for plant under development and potential projects to be installed by the end of 2010.
(2) Existing capacity as at 31 December 2007.
(3) To also supply 225 MMBtu/h of heating.

Plant Overview

In the UAE, Tabreed currently operates 31 plants with a total current installed capacity of approximately 287,000 tons. It also has a pipeline of projects under construction/development that will add about 471,000 tons and has identified over 200,000 tons of other potential projects. The following sets out this information, broken down across Tabreed, directly owned, through wholly owned subsidiaries, other subsidiaries, joint ventures and associates:

	Existing	Under Development	Potential
		(in tons)	
Directly Owned Through Wholly Owned Subsidiaries	208,600	171,000	> 140,000
Other Subsidiaries	11,500	—	—
Joint Ventures	—	300,000	> 60,000
Associates	66,700	—	—
Total	**286,800**	**471,000**	**> 200,000**

Plant Summary

Customer profile of plants owned

The break-down in installed capacity on a category basis is as follows:

	As at 31 December				
	2003	2004	2005	2006	2007
			(%)		
Category 1 — UAE Armed Forces, Abu Dhabi or Dubai Governments	89.1	86.9	87.0	78.8	64.5
Category 2 — Quasi Governments (Abu Dhabi or Dubai), Governments of other Emirates	10.9	10.6	7.6	12.0	15.7
Category 3 — Private Commercial	0	2.5	5.4	9.2	19.8
	100	**100**	**100**	**100**	**100**

The UAF has been Tabreed's major customer to date, accounting for 67 per cent. of the Company's district cooling revenues in 2007. Tabreed entered into a master contract with UAF in January 2001 for an initial term of 20 years, which sets out the uniform tariff structure and other terms that apply to all projects undertaken for the UAF. Following the initial term of 20 years, the contract with the UAF is terminable by either party on the giving of two years' notice. The UAF has the right to terminate the contract at any time it considers it is in the public interest to do so, giving rise to an obligation to pay adequate monetary compensation to Tabreed.

The UAF has provided a firm anchor for the Company's growth since its incorporation. It is an arm of the UAE government (the UAE has a long-term rating of Aa2 by Moody's Investors Service Limited) which, therefore, favourably impacts Tabreed's business risk profile.

Tabreed has also built plants throughout the UAE to serve private commercial customers; for example, hotels, universities, schools, building owners, shopping malls in Abu Dhabi (Marina Mall, Baynunah 6 Towers, Al Raha Gardens, Abu Dhabi University), Dubai (Sheikh Zayed Road), Al Ain (Al Jimi Mall amongst others), Ras Al Khaimah (Al Manar Mall) and in Ajman (Ajman 01). In addition, part of the expanded capacity of the Muroor Street and Zayed Sports City military plants are contracted to private commercial customers.

The number of plants owned/operated and installed capacity for the five years ended 31 December 2007 are as follows:

	As at 31 December				
	2003	**2004**	**2005**	**2006**	**2007**
Number of Plants Owned/Operated					
Military	8	8	10	13	14
Commercial and Government	5	5	5	8	17
Total	**13**	**13**	**15**	**21**	**31**
Installed Capacity (thousands tons)					
Military	63.0	63.0	96.7	150.3	152.8
Commercial and Government	25.4	17.7	17.7	70.8	134.0
Total	**88.4**	**80.7**	**114.4**	**221.1**	**286.8**

It takes 18-24 months for Tabreed to design and construct a new plant. Whilst the initial capacity matches the requirement of the anchor customer, a plant is typically designed by Tabreed to accommodate expansion of up to 2-3 times its initial capacity. Expansion projects take less time, typically 6-12 months to implement and are more profitable, as the capital cost per unit capacity is usually lower than the original plant.

Tabreed's existing portfolio of operating plants is shown below:

Operating Plants:

Plants	**Year Commissioned**	**Installed Capacity (tons)**
Military Plants		
Tabreed 1	1999	3,800
Tabreed 2	2002	10,000
Tabreed 3A	2002	10,000
Tabreed 5	2006	25,500
Tabreed 6	2006	8,050
Zayed Sports City	2003	7,500
Muroor St. (incl. expansion)	2003 and 2005	15,000
AL-03	2005	9,200
GHQ	2006	11,500
Al Ain Military Secondary School	2007	2,500
Tuwaisa	2002	4,300
Tabreed 3B	2003	10,000
Tabreed 4	2003	10,000
Al Dhafra (incl. expansion)	2005 and 2006	25,450
Total Military		**152,800**
Commercial and Government Plants		
Al Manar Mall (RAK)	2000	2,350
RAK — Al Gurm 2	2000	400
RAK — Free Zone	2007	400
Sheik Zayed Road (Dubai) (including expansion)	2002 and 2006	22,500
Al Jimi (including expansion)	2002 and 2004	5,300
ICCC (including expansion)	2003 and 2006	11,700
Marina Mall	2006	14,400

Plants	Year Commissioned	Installed Capacity
		(tons)
Baynunah (6 towers)	2006	11,250
Police Guard Compound	2006	2,500
AD-07 Higher College of Technology	2007	2,500
Ajman 01	2007	22,500
Khalifa City — Abu Dhabi University	2007	7,500
Muroor Street Phase 3	2007	7,500
Spinneys Plant	2007	2,600
Zayed Sports City Expansion	2007	15,000
Al Diwan	2007	600
Khalifa City — Al Raha Gardens	2007	5,000
Total Commercial and Government		**134,000**
Total Operational Plants		**286,800**

Tabreed has experienced a steady diversification of its customer base, with the majority of new contracts being signed with private commercial customers and other government authorities.

New Projects

New Contracts and Project Expenditure Programme

Tabreed has customer contracts for new projects that will lead to a net addition of about 471,000 tons to its installed capacity by the end of 2010, at a capital cost of about AED 5.11 billion, and has identified further prospects involving some 200,000 tons of capacity. Some of these new projects will involve networks in the heart of cities that will provide dominant positions for future expansion. Many projects have substantial subsequent expansion potential.

The new projects are in various stages of implementation. Some of these are financed under existing facilities and Sukuk issues, while the rest are to be financed by the proposed issue of the Certificates or other potential sources of finance. These are categorised in the table below:

Plants	Location	Commissioned/ Expected Commissioning Date	Installed Capacity
			(tons)
Khalifa City — Al Raha Gardens — Phase 1	Abu Dhabi	February 2008	32,500
Mohammed Bin Zayed City	Abu Dhabi	March 2008	10,000
Al Ain Air College Expansion	Al Ain	March 2008	3,000
Al Ain — Al Wadi Plant	Al Ain	March 2008	1,800
Al Minhad	Dubai	April 2008	5,000
Coastal Guard	Abu Dhabi	April 2008	1,200
Mahawi Camp	Abu Dhabi	June 2008	5,000
Sheikh Zayed Road — Plant 2	Dubai	June 2008	7,500
Fujairah Military	Fujairah	September 2008	2,500
Fujairah City	Fujairah	October 2008	3,500
Spinneys	Abu Dhabi	October 2008	7,400
Al Ain University	Al Ain	November 2008	10,000
Ajman 02	Ajman	December 2008	10,000
Dubai Metro	Dubai	March 2009	38,790
Airport Road	Abu Dhabi	March 2009	32,500

Plants	Location	Commissioned/ Expected Commissioning Date	Installed Capacity
			(tons)
RAK Expansion	Ras-Al Khaimah	March 2009	7,500
Tabreed 7	Abu Dhabi	April 2009	8,000
Al Raha Beach — Plant 1	Abu Dhabi	May 2009	45,000
Al Raha Beach — Plant 2	Abu Dhabi	May 2009	45,000
A&T — New Souk/Central Market	Abu Dhabi	May 2009	30,000
Tabreed 1A	Abu Dhabi	May 2009	10,000
Yas Island 1	Abu Dhabi	June 2009	35,000
Yas Island 2	Abu Dhabi	June 2009	20,000
Sowah Island	Abu Dhabi	June 2009	30,000
Al Muleiha Scheme	Sharjah	June 2009	10,000
Sorouh — Shams Abu Dhabi — Phase 1	Abu Dhabi	October 2009	25,000
Sorouh — Shams Abu Dhabi — Phase 2	Abu Dhabi	June 2010	25,000
Grand Total			**471,290**

The majority of the projects under construction are likely to be completed by the end of 2009. The contracts for the Aldar developments, Sorouh, Khalifa City, Mohammed Bin Zayed City, Marina Mall, Baynunah 6 towers and Al Ain University form part of a series of contracts Tabreed has been awarded from various Abu Dhabi authorities and institutions, as well as commercial establishments. As the above table indicates, the Company's capacity increases over the next couple of years will primarily take place in Abu Dhabi. However, the contracts in Dubai, Ajman and Fujairah are of strategic importance as well, because they involve laying distribution networks through the hearts of the respective cities. Once these assets are in place, they are likely to put Tabreed in a strong position for any additional works to be undertaken in the immediate vicinity of the relevant plant. Expanding these plants and connecting new customers would involve a fraction of the cost that a new entrant is likely to incur.

Most of the projects have strong build-out potential.

District Cooling Subsidiaries/Associates in the UAE

Tabreed has formed a number of project-specific subsidiaries/associates within the UAE. These are described below.

- **Summit District Cooling Company ("SDCC")**

  Tabreed shareholding — 51 per cent.

  SDCC is a subsidiary company set up in equity partnership with Sumitomo in 2004 to implement and operate an 11,500 ton project for the UAF GHQ.

  Tabreed has entered into an agreement with this company to provide management and technical services.

- **Industrial City Cooling Company ("ICCC")**

  Tabreed shareholding — 20 per cent.

  ICCC was formed in 2004 by Tabreed and the Abu Dhabi Investment Company ("ADIC") (holding 20 per cent. and 80 per cent. of the equity, respectively) to own and operate two plants that were originally set up by Tabreed for the General Industrial City, Abu Dhabi. In 2005, Oasis International Leasing Company purchased a portion of ADIC's shareholding. The current combined installed capacity of the two plants is 11,700 tons.

  Tabreed has entered into an agreement with this company to provide management and technical services.

- **National Central Cooling Company Ras Al Khaimah LLC ("Tabreed RAK")**

  Tabreed shareholding — 100 per cent. (40 per cent. through Gulf Energy Systems)

  Tabreed RAK is a wholly-owned subsidiary of Tabreed that owns and operates a 2,500 ton plant in Ras Al Khaimah.

  Tabreed has entered into an agreement with this company to provide management and technical services.

- **Sahara Cooling Limited ("Sahara")**

  Tabreed shareholding — 40 per cent.

  Sahara was formed in 2006 by Tabreed and Sumitomo (30 per cent.) and Electric Power Development Co. ("J Power") of Japan (30 per cent.). Sahara currently owns six cooling plants with a total capacity of 55,000 tons at various locations in Abu Dhabi.

  Tabreed has entered into an agreement with this company to provide management and technical services.

- **A&T Cool**

  Tabreed shareholding — 50 per cent.

  A&T Cool is proposed to be formed in 2008 as a joint venture between Tabreed and Aldar, a leading real estate developer in Abu Dhabi. Once the joint venture agreement is entered into, it will contain a right of first refusal clause if Aldar decides to terminate or reduce its interest in the joint venture. Cooling projects with a planned capacity of almost 300,000 tons are currently under development, of which about 200,000 tons will soon begin to be constructed. These projects will supply district cooling services to properties being developed by Aldar in Abu Dhabi, such as Central Market, Al Raha Gardens, Al Raha Beach and Al Yas Island. These business activities are currently being carried out by Tabreed and Aldar and such business activities will be transferred to A&T Cool once it has been formed.

- **S&T Cool**

  Tabreed shareholding — 50 per cent.

  S&T Cool is currently under formation, as a joint venture between Tabreed and Sorouh, a leading real estate developer in Abu Dhabi. A joint venture agreement has been entered into and it contains a right of first refusal clause if Sorouh decides to terminate or reduce its interest in the joint venture. S&T Cool will supply district cooling services to properties being developed by Sorouh. It is currently developing its first project with a cooling capacity of about 70,000 tons to supply district cooling to Shams Abu Dhabi sectors 5 and 6, a Sorouh development on Reem Island, Abu Dhabi. These business activities are currently being carried out by Tabreed and Sorouh and such business activities will be transferred to S&T Cool once it has been formed.

Tabreed is able to exercise some form of management control over all of the subsidiaries/associates referred to above in the UAE.

District Cooling Subsidiaries/Associates outside the UAE

Tabreed has set up the following subsidiaries and associates in Qatar, Bahrain. Saudi Arabia, Jordan, Oman and Kuwait.

- **Tabreed Holdings WLL ("Tabreed Holdings")**

  Tabreed shareholding — 95 per cent.

  An intermediate holding company in Bahrain (currently 95 per cent. owned by Tabreed and 5 per cent. owned by GES) set up with the objective of transferring the shareholdings in all non-UAE district cooling entities to this company. Currently Tabreed's shareholdings in the companies in Bahrain, Jordan, Kuwait and Oman are held through Tabreed Holdings.

- **Qatar Central Cooling Company ("Qatar Cool")**

  Tabreed shareholding — 44 per cent.

  Tabreed and UDC formed Qatar Cool in 2003. UDC is the master developer of the "Pearl Qatar" (a U.S.$2.5 billion island development project) which is Qatar Cool's principal customer.

  Qatar Cool has recently implemented its first cooling plant, with a capacity of 30,000 tons in the West Bay area. Qatar Cool is implementing a second plant in West Bay, the capacity of which is 67,000 tons. There is also potential for setting up a third plant of 30,000 tons capacity in the West Bay. Qatar Cool is currently implementing another project, a cooling plant in Pearl Qatar, the capacity of which is 120,000 tons.

Tabreed has entered into an agreement with this company to provide technical services.

- **Bahrain District Cooling Company ("Tabreed Bahrain")**

  Tabreed shareholding — 67.5 per cent.

  Tabreed, Esterad Investment Co. ("Esterad") (30 per cent.) and the A.A. Bin Hindi Group (2.5 per cent.) formed Tabreed Bahrain in 2004. Esterad invests in securities and managed funds within the GCC and elsewhere and has exposures to a number of highly valued listed companies.

  Tabreed Bahrain has an installed capacity of 7,000 tons under modular chillers. It is setting up its first project (22,800 tons) in the Diplomatic Enclave of Bahrain, which will be the first plant in a series of four plants it intends to set up over the next eight years in the North Shore area of Bahrain. Tabreed Bahrain experienced a costs overrun in the construction of its first project which meant that a U.S. $40 million facility with Gulf Internal Bank was increased by approximately 25 per cent. or U.S. $10 million to allow for the increase in project cost. The Bahrain World Trade Centre, Bahrain Financial Harbour and Reef Island have signed long term contracts with Tabreed Bahrain and are its anchor customers in the North Shore. It is anticipated that its projects pipeline in the North Shore and other areas will lead to a net capacity increase of 79,200 tons by 2010.

  Tabreed has entered into an agreement with this company to provide technical services.

- **District Cooling Company ("Saudi Tabreed")**

  Tabreed shareholding — 25 per cent.

  Tabreed's partners in Saudi Arabia are ACWA Power (Arabian Company for Water and Power Development), owned by the A. Abunayyan group (holding 60 per cent.) and the Rusd Company of Jeddah (holding 15 per cent.). Both groups are well-established business houses in the country.

  Saudi Tabreed was set up in 2005. It is currently exploring project opportunities and has identified projects of around 200,000 tons, out of which 75,000 tons are expected to be installed by the end of 2010.

  Tabreed has entered into an agreement with this company to provide technical services.

- **Jordan District Energy ("JDE")**

  Tabreed shareholding — 50 per cent.

  Tabreed's partner in Jordan is AAID (holding 50 per cent.).

  JDE was set up in 2006. AAID is undertaking a major real estate development at Abdali in Amman, which will be supplied with district cooling and heating by JDE. JDE is currently implementing a project which is planned to eventually have 52,000 tons of cooling capacity and 300 MMBtu/hour of heating capacity, out of which 15,000 tons of cooling capacity and 225 MMBtu/hour of heating capacity are expected to be commissioned by the end of 2010.

- **Tabreed Oman SAOC ("Tabreed Oman")**

  Tabreed shareholding — 60 per cent.

  Tabreed's partners in Tabreed Oman are a group of investors consisting of the Ministry of Defence Pension Fund (10 per cent.), Diwan of Royal Court Pension Fund (5 per cent.), ISS Pension Fund (7 per cent.), PMA International Ltd. (10 per cent.) and Private Projects Development Co. LLC (8 per cent.).

  Tabreed Oman was set up in 2007. It has identified potential projects of around 200,000 tons, of which it plans to commission about 118,000 tons by 2010.

  Tabreed has entered into an agreement with this company to provide technical services.

- **National Power and District Cooling ("Tabreed Kuwait")**

  Tabreed shareholding — 20 per cent.

  Tabreed Kuwait has been recently set up in partnership with Bader Alsalam (holding 80 per cent.). The company is in its early stage of development. Tabreed Kuwait is currently looking at potential capacity increases of 50,000 tons by the end of 2010.

Whereas Tabreed is able to exercise some form of management control over the subsidiaries/associates in the UAE, for the subsidiaries/associates described above outside the UAE, Tabreed is not able to exercise management control over these entities.

Value Chain Businesses

Tabreed has several subsidiary and associate companies which service or manufacture for the district cooling and air conditioning industry as follows:

Manufacturing

- **Emirates Pre-insulated Pipes & Industries ("EPPI")**

  Tabreed shareholding — 60 per cent.

  EPPI was set up in 2000 and commenced operations in 2002, is 60 per cent. owned by Tabreed, 20 per cent. owned by Abdul Raouf Al Bitar and 20 per cent. by Abdul Aziz Al Numlah. EPPI engineers and manufactures thermally pre-insulate piping systems for chilled and hot water, oil and gas, and other energy related applications. Nearly 90 per cent. of EPPI's output is sold for use in the district cooling industry. EPPI has benefited from the growth in the UAE district cooling industry, and serves all district cooling providers (including Tabreed) in the country. Its manufacturing facilities are located in Abu Dhabi, with a built-up area of 50,000 square metres and are equipped with the latest pipe fabrication technology. Apart from manufacturing, EPPI also provides product engineering support, on-site technical assistance and installation supervision. EPPI is currently expanding its facilities in order to add new product lines.

The Manufacturing segment represented by EPPI contributed AED 146.4 million of turnover, representing approximately 26.5 per cent. of the Company's revenue, for the financial year ended 31 December 2007.

Services

- **Ian Banham and Associates ("IBA")**

  Tabreed shareholding — 70 per cent.

  IBA was established in the UAE in 1976. It provides engineering consultancy services in all aspects of electrical and mechanical works for residential, commercial, hotel, institutional and industrial projects. Its main office is in Abu Dhabi with branches in Dubai and Sharjah. It has successfully designed, executed and commissioned a number of landmark buildings and prestigious projects, such as the Dubai Media City, the Burjuman Centre and the Royal Meridien, Abu Dhabi. Tabreed acquired a 70 per cent. stake in IBA in 2004.

- **Installation Integrity 2000 LLC ("i2i")**

  Tabreed shareholding — 80 per cent.

  i2i was established in 1999 to provide technical services for both new and existing buildings in the following areas: independent, testing, balancing and commissioning of heating, venting and air conditioning ("HVAC") systems, building services inspections, maintenance review and engineering services. Tabreed acquired a 60 per cent. shareholding in i2i in 2002. Tabreed has acquired an additional 20 per cent. stake in i2i from one of i2i's original shareholders. The remaining 20 per cent. stake in i2i is owned by the general manager of i2i.

- **BAC Balticare Gulf LLC ("Balticare")**

  Tabreed shareholding — 100 per cent.

  Balticare was incorporated in 2003. The company acts as a distributor for Baltimore Aircoil Company, which is a worldwide manufacturer and marketer of heat transfer and ice thermal storage products. It offers a range of factory-assembled cooling towers, closed circuit fluid coolers and evaporative condensers and serves air conditioning, refrigeration, industrial, process, and power generation customers. Balticare also provides risk assessment and maintenance services to counter the risk of legionellosis in evaporative cooling systems, water quality management and ongoing operation and surveillance of evaporative cooling and water treatment equipment (including commissioning, disinfection and cleaning, water sampling and analysis and equipment maintenance and servicing).

- **Tabreed Captive Insurance Company BSC ("Tabreed Captive Insurance Company")**

  Tabreed shareholding — 100 per cent.

  Tabreed Captive Insurance Company is incorporated in Bahrain and was set up in 2007 to provide all risks insurance and machinery breakdown insurance to Tabreed Cooling Assets and buy reinsurance more efficiently by providing direct access to reinsurance markets. Although Tabreed Captive Insurance Company's shares are 100 per cent. owned by Tabreed, it is operated independently by Ensurion WLL, an insurance company based in Bahrain. Since the company's only client is Tabreed itself, its results are eliminated on consolidation.

The Servicing segment contributed AED 120.7 million of turnover, representing approximately 22 per cent. of the Company's revenue, for the financial year ended 31 December 2007.

Contracting

- **Gulf Energy Systems LLC ("GES")**

  Tabreed shareholding — 99.9 per cent.

  GES was incorporated in 1995 and is 99.99 per cent. owned by Tabreed. It is a contracting company undertaking building conversions in order to make a customer's building compatible with district cooling — i.e. assisting the change-over from traditional air-conditioning system to district cooling. Most of its business has come from the military for retrofitting their sites to connect to Tabreed's plants.

- **SNC Lavalin Gulf Contractors ("SLGC")**

  Tabreed shareholding — 51 per cent.

  SLGC was set up in 2004 as a joint venture between Tabreed and SNC Lavalin. Despite the shareholding of Tabreed in SLGC, SLGC is an independent EPC contractor. SLGC provides design and construction services to Tabreed for its district cooling projects. The terms on which Tabreed and SLGC contract are negotiated on a project-by-project basis, thereby maintaining an arm's length relationship between the parties. SLGC is usually contracted to build the plants for the cooling projects, but does not provide or install the distribution systems. Since Tabreed does not have management control, this company is accounted for as a joint venture. To date, this company has built plants only for Tabreed; therefore, its results have been eliminated on consolidation.

The Contracting segment contributed AED 103 million of turnover, representing approximately 19 per cent. of the Company's revenue, for the financial year ended 31 December 2007.

Competition

According to the Goldman Sachs Report, Tabreed and its district cooling subsidiaries and associates are the leading commercial district cooling companies in the UAE and the GCC.

A recent development is the creation of captive central cooling for most of the major Dubai based real estate projects. Three companies have been formed to develop the district cooling for these projects:

(i) Empower: controlled by Dubai Holdings developments;

(ii) Palm District Cooling: controlled by the Nakheel Group; and

(iii) Emicool: a subsidiary of Union Properties, owned jointly by Union Properties and Dubai Investments Company PJSC.

In addition, some other competing district cooling companies have been formed recently:

(i) Arcapita Bank of Bahrain and Dalkia, an energy service company owned by Veolia Environment and EDF, intend to form project specific joint ventures to provide district cooling services in the GCC countries;

(ii) Zamil Air Conditioning (KSA): recently won a contract to provide Hadeed with 15,000 tons;

(iii) Pal Technologies; and

(iv) CityCool.

Most of these companies are subsidiaries of major developers and have hitherto confined their activities to serving captive clients.

Tabreed's management is aware of the competition, but takes comfort from the fact that the Company's medium term growth is protected by signed customer contracts. For growth beyond that, management expects a substantial portion of such growth to come from clearly established further build-out potential in respect of signed contracts. Thus, management believes that the next five years' growth in assets (and hence the revenues derived from those assets for the following 20 years) is not vulnerable to competitive pressures. More importantly, competition will not adversely affect cash flows under the existing contracts, and probably will not affect the (highly profitable) build out of those plants.

Management believes that the main barrier to entry into the district cooling market is the substantial initial capital and long term financing requirements for development of district cooling projects which may prove an obstacle to its competitors. But, even so, management considers the market sufficiently large to accommodate multiple players.

Employees and Labour Relations

Tabreed had 954 employees as at 31 December 2007, including all its subsidiaries, none of whom are members of any trade union in any jurisdiction in which Tabreed does business. Bahraini nationals are entitled to join labour unions although Tabreed does not currently anticipate its employees joining any labour union.

Employees who are citizens of the UAE or Bahrain are covered by a federal pension plan. The UAE employees and the Company contribute to this on a monthly basis. In Bahrain, only the Company contributes to the plan (the name of the plan is GOSI — General Organisation for Social Insurance). Expatriate employees accrue end of service benefits defined by the Company's Policies and Procedures, employee contracts and Federal Law. End of service liabilities are accounted for.

As at 31 December 2007, Tabreed had 392 employees in the UAE, out of which 35 were national employees (8.9 per cent.) and 357 were expatriates (91.1 per cent.) which is well above the UAE governmental minimum requirement that two per cent. of all employees employed by a UAE company should be national employees.

Regulation

With the exception of district cooling plants constructed for the UAF in respect of which no licences or permits are required for the planning, construction or operation of such district cooling plants, Tabreed has all licences and permits required from the relevant local municipalities in all jurisdictions in which it operates for the planning, construction and operation of its district cooling plants.

Environment

Health and Safety

The Company complies with all applicable UAE and international environment and safety standards and has received specific permits from the UAE Federal Environment Research and Wildlife Development Agency. Tabreed also holds the ISO14001:1996 (environment management), ISO9001:2000 (quality control) and OHSAS 18001:1999 (occupational health and safety management) certifications. The standards with which Tabreed has to comply in order to obtain these certifications are higher than the relevant standards in the UAE.

In relation to effluent water release, most of Tabreed's plant rooms are connected directly to municipality sewage lines for which Tabreed obtains permits from the respective municipalities after undertaking to control certain parameter requirements like PH and conductivity. These permits are obtained during the construction of a project and are issued by the Environment Agency for each Emirate. Permits issued for plants in Dubai and Ras-Al Khaimah only have to be issued once. However, in the case of Abu Dhabi, the Abu Dhabi Environment Agency (AED) issues a permit for only one year at a time which is renewable every year thereafter. The Company submits water treatment results in AED for each plant on a quarterly basis.

Legionnaires' Disease

The Company is a user of wet cooling towers. In the past, such cooling towers have been a source of Legionella bacteria which can cause Legionnaires' disease. The Company mitigates this risk through rigorous chemical control of the cooling water. The Company has public liability insurance cover in relation to legal liability arising from its operations. See "— Insurance — Public Liability Cover" and see also "Risk Factors — Risk Factors relating to Tabreed — Legionnaires' Disease".

Insurance

Under UAE law, property located in the UAE and liability thereof cannot be insured abroad, and, therefore, there is no choice but to use UAE registered insurers to front or lead local covers. Such insurers are not awarded ratings as high as insurers located in other jurisdictions. There is, however, no restriction on reinsurance outside the UAE.

Property Policies

Tabreed has an insurance policy covering property with Abu Dhabi National Takaful Co. PSC ("ADNTC"). Tabreed Captive Insurance Company reinsures U.S.$500,000 of this insurance policy and the rest of the insurance policy is reinsured by the following reinsurance firms, with their respective percentage of the policy reinsured and respective credit rating assigned by Standard & Poor's shown as well:

Reinsurance Firm	Percentage of the Policy Reinsured	Rating
ARIG	27.5	BBB
Hannover Re Takaful	30	AA−
Alliance Insurance Agents	12.5	BBB(1)
Asia Capital Re	10	Unrated
Takaful Re	7.5	Unrated
Solidarity	7.5	Unrated
ADNTC	5	Unrated
Total	**100**	

Note:
(1) Alliance Insurance writes business on behalf of Kiln (rating A by Standard & Poor's) and Alliance Re (rating BBB by Standard and Poor's)

The policy covers Property All Risks and Business Interruption cover for the specific plants, based on standard market forms, and adheres to generally accepted international standards. The policy contains a specific provision offering indemnity for damaged property on a replacement basis rather than a cash sum. War risks and cover for acts of terrorism are specifically excluded.

Machinery Policies

Tabreed has an insurance policy in respect of machinery with ADNTC.

The policy covers machinery breakdown and applies to the locations of all existing plants. The cover offered under this policy is standard market form and adheres to generally accepted international standards. The basis of indemnity offers reinstatement, with no depreciation but no betterment. Cover for acts of terrorism is, however, specifically excluded.

The policy also covers loss of profit due to breakdown of machinery. The policy does not specifically list any locations within the UAE, but gives cover for any location within the geographical boundary of the UAE. The cover offered under this policy is standard market form and adheres to generally accepted international standards. Cover for acts of terrorism is, however, specifically excluded.

Construction Policies

All of the Company's plants under construction are fully covered under the policy of the relevant contractor, until such time as the plants have been completely handed over to Tabreed.

Workman's Compensation

Tabreed has an insurance policy in respect of workman's compensation with Oman Insurance Company ("OIC"). OIC is rated BBB on Standard & Poor's Insurer Financial Strength Rating scale.

The policy covers Annual Workman's Compensation for all staff working within the UAE, in line with UAE market standards.

Public Liability Cover

Tabreed has one policy with Abu Dhabi National Insurance Company for all legal liabilities arising out of its operations, in line with UAE market standards. This cover extends to liabilities of up to U.S.$10 million and, to date, there have been no material claims made by Tabreed under its insurance policy.

Real Estate Property

With the exception of Tabreed's office in Dubai which is a freehold property owned by Tabreed, all of Tabreed's offices are leased.

Information Technology

Tabreed uses standard Enterprise Resource Planning software from Peoplesoft for all of its financial, procurement, human resource, implementation and research modules. The Company's IT network is linked through all offices and all of the plants.

Intellectual Property

The name "Tabreed" and the water towers logo (as shown on the front page of this Prospectus) have both been registered in all the jurisdictions in which Tabreed operates.

Board of Directors

The Board of Directors of Tabreed are as follows:

Directors	Joined	Position
Name		
Khadem Abdulla Al Qubaisi	2008	Chairman
Waleed Ahmed Al Mokarrab Al Muhairi	2008	Vice Chairman
Dany Safi	1998[(1)]	Chief Executive Officer
Abdul Raouf W. Al Bitar	2004	Board Member
Ibrahim Ahmed Al Ansari	2008	Board Member
Khaled Abdulla Al Qubaisi	2008	Board Member
Abdulla Khouri	2008	Board Member
Ali Saeed Al Badi Al Dhaheri	2008	Board Member
Khalifa Al Mazrouei	2008	Board Member

Note:
(1) 1995 with Gulf Energy Systems LLC

The business address of each of the directors is PO Box 32444, Dubai, UAE.

Directors' Biographies

- Khadem Abdulla Al Qubaisi, Chairman, Managing Director of International Petroleum Company ("IPIC"), has a Bachelor Degree in Economics. He currently serves as a Chairman and Board Member for several commercial and financial organisations in the UAE and worldwide, including Hyundai Oilbank Co. Ltd., Abu Dhabi Polymers Co. Ltd. (Borouge), Borealis AG, First Gulf Bank, Emirates Investment Authority and Aldar Properties PJSC.
- Waleed Ahmed Al Mokarrab Al Muhairi, Vice Chairman, is currently the Chief Operating Officer of Mubadala. Prior to Mubadala, Waleed worked with the UAE Offsets Group as a Senior Projects Manager. He holds a Masters from Harvard University, USA, and a Bachelors of Science in Foreign Service from Georgetown University, USA. Waleed serves on the Board of Directors of the Imperial College London Diabetes Centre, Oasis International Leasing Company, Piaggio Aero, du, the Khalifa Fund (SMEs), ZonesCorp (Higher Corporation for Specialized Economic Zones), Injazat Data Systems, Abu Dhabi's National Health Insurance Company (Daman), and Leaseplan. He serves as the Chairman of YahSat and is the Chairman of the Executive Committee of Abu Dhabi Aircraft Technologies. In addition, he is the Director General of the Abu Dhabi Council for Economic Development.
- Dany Safi, Chief Executive Officer, has a BSc in Electrical Engineering and MSc in Mechanical Engineering. He has held senior management positions in leading air-conditioning companies in the Middle East. He is a member of several international industry associations and is also a Board Member of the International District Energy Association.
- Abdul Raouf W. Al Bitar, Board Member, has a B.Sc. in Civil Engineering from Syracuse University, New York. He is the CEO of Al Manhal and Nestle Waters Group of Companies in Saudi Arabia. He is the Chairman of the Board for Jordan New Cable Co. (JNCC). He is also a Board Member of several companies including Middle East Specialized Cables (MESC) — Saudi Arabia, Tabreed District Cooling Co. — Saudi Arabia, ACWA Power — Saudi Arabia, LG-Shaker Factory — Saudi Arabia and MESC-Fujikura Cable Co. — Jordan.
- Ibrahim Ahmed Al Ansari, Board Member, General Manager Dolphin Energy Limited-UAE, has a BSc in Electrical Engineering. He has held senior Operational and Management positions in the Oil and Gas Sector in the UAE. He is a Chairman of the Board of Mubadala Petroleum Services Company, Member and Secretary of the Management Committee of Dolphin Energy with Qatar Petroleum and Board Secretary to Dolphin Energy.
- Khaled Abdulla Al Qubaisi, Board Member, Chief Investment Officer at International Capital, has a BA in Finance and Operation Management from Boston University and an MSc from George Washington University in Washington DC. In 2003, he became a member of the CFA Institute. Before International Capital, he used to head the "Corporate Finance & Business Development" Division at NBAD, the largest bank in the UAE at the time,

where he used to provide advisory services to companies on funding requirements in addition to placing debt and equity for them and structuring investment products for the retail and private banking division. He is currently a Board Member at the National Health Insurance Company "DAMAN".

- Abdulla Khouri, Board Member, is the Director of Government Affairs for the Executive Affairs Authority (EAA) of Abu Dhabi. Prior to being appointed to his position within the EAA, he headed the Communications and Administration Unit of Mubadala Development Company. Abdulla began his career by joining the Offset Program Bureau in 1996 where he was responsible for corporate and organisational communications. He is on the board of Abu Dhabi's newly established Media Zone Authority. He is a 1996 graduate of the European University in Geneva, where he majored in both Business Administration and Public & Business Communications.
- Ali Saeed Al Badi, Board Member, is the Management Support Director at Abu Dhabi National Oil Company ("ADNOC"). He holds a B.S. Bachelor's degree from Indiana University, USA. He has held various senior management positions in ADNOC and within its group since 1986. He has held the Chairmanship of the Board of Directors and has been a Board Member of several ADNOC group companies. At present he is a Board Member of Abu Dhabi Polymers Co. (Borouge) and of ADNOC distribution.
- Khalifa Mohamed Al Mazrouei, Board Member, is the Chairman and Managing Director of the Abu Dhabi Airports Company (ADAC). He currently serves as a Chairman and Board Member for several organisations in the UAE, including Amiri Flight, World Trade Centre — Abu Dhabi, Gulf Air, Al Taif Technical Services, Tourism Development & Investment Co and Al Jazeera Club.

Senior Management

The Senior Management are as follows:

Senior Management **Name**	Joined	Position
Dany Safi	1998(1)	Chief Executive Officer
Karl Marietta	1998	Deputy Chief Executive Officer
Abdulla Al Muhairi	2007	Chief Financial Officer
Khaled Salmeen Al Kawari	2007	Chief Operating Officer
James Matthew Kassim	2005	Operations and Maintenance Director
Thani Al Rumaithi	2005	Human Resources and Administration Director
Majed Fahmy	2001	Projects Director
Sandeep Arora	1998(1)	Finance Director
Jacques T Fontaine	2007	Audits Director
Yaslam Omar Hassan	1999	Procurements Director
Fawaz Elhindi	2003	Marketing Director

Note:
(1) 1995 with Gulf Energy Systems LLC

The business address of each of the senior management is PO Box 32444, Dubai, UAE.

Senior Management's Biographies

- Dany Safi, Chief Executive Officer (see "Directors" above).
- Karl Marietta, Deputy Chief Executive Officer, has 35 years of experience in the district energy and electric utility industries. He is a member of the International District Energy Association. He has a BSc from Carnegie-Mellon University, USA and an MBA from Metropolitan University, Minnesota, USA.
- Khaled Salmeen Al Kawari, Chief Operating Officer, is a mechanical engineer from the Colorado School of Mines, USA. Prior to joining Tabreed, he worked at Mubadala Development Company where he managed major energy investment projects.
- Abdulla Al Muhairi, Chief Financial Officer, is a business management graduate with a major in finance from the American University in Washington in DC, USA. Prior to joining Tabreed, he worked with UAE's Central Bank for eight years.

- James Matthew Kassim, Operations and Maintenance Director, has a BSc in Chemical Engineering from the University of Tulsa, Oklahoma, USA. He has over 20 years' experience in a variety of industries, and is a member of the Chemical Engineering Society and Mechanical Engineering Society.

- Thani Al Rumaithi, Human Resources and Administration Director, has a BA in Business Management from Marylhurst University, Oregon, USA. He has nine years' previous experience in the HR and Administration departments of leading companies. He is a member of the Society of Human Resource Management and the American Society of Training and Development.

- Majed Fahmy, Projects Director, has a BSc in Mechanical Engineering, with 30 years' experience in power plants, air liquefaction industries and in the designing of commercial and industrial mechanical and HVAC systems. He has experience with planning, cost control and management.

- Sandeep Arora, Finance Director, holds a Bachelor of Commerce degree from St. Xavier's College, University of Calcutta, India, and is a Chartered Accountant from the Institute of Chartered Accountants of India. He has held positions in international accounting and consulting firms and has experience with large contracting companies.

- Jacques T Fontaine, Audits Director, has over 38 years experience in managerial positions in accounting, treasury, finance and auditing. He is a graduate in accounting from HEC University of Montreal, a professional member of CMA and has an MBA from Sherbrooke University in Canada.

- Yaslam Omar Hassan, Procurements Director, has a BSc in Mechanical Engineering from Nebier University, Scotland. He has extensive procurement experience and has held several managerial positions in leading companies.

- Fawaz Elhindi, Marketing Director, has a BSc in Mechanical Engineering from the University of Louisiana, USA. He has over 20 years' experience in sales and marketing, working for leading multinationals in the Middle East. He is a member of the American Society of Mechanical Engineers.

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

Major Shareholders

Tabreed's current authorised and issued share capital is AED 1.213 billion. Tabreed is listed on the DFM and has a wide shareholder base, with the largest single shareholding being 7.93 per cent. as at 12 March 2008. Its shareholders include government bodies and investment institutions, private offices of high net worth individuals, overseas investors and the public.

The following table sets out the shareholders of Tabreed with shareholdings in excess of 3.00 per cent. (as at 12 March 2008):

Name	Shareholding% (rounded)
Mubadala Development Company	7.93
General Pension Fund and Social Security Authority	7.38
General Investments FZE	5.92
HSBC Bank Plc	4.45
Abdul Raouf Waleed Abdel Raouf Al Bitar	3.79
Abu Dhabi Investment Company	3.48
Sheikh Moh'd Bin Sultan Bin Suroor Al Dhaheri	3.16
Others	63.89
Total	**100.00**

The Memorandum of Association of the Company stipulates (a) a ceiling of 49 per cent. for expatriate shareholdings (the maximum allowable under the current law) and (b) a 20 per cent. limit on the share holding of any single shareholder. As at 11 March 2008, 26.29 per cent. of Tabreed's shares are held by expatriates.

The information set forth in this section is based on publicly available information. The Issuer and Tabreed accept responsibility for accurately reproducing such information and as far as the Issuer and Tabreed are aware no facts have been omitted which would render such information inaccurate or misleading, but the Issuer and Tabreed accept no further responsibility for such information. Such information may be approximations or use rounded numbers.

Introduction

District cooling is an efficient system of air conditioning. It uses a central plant to cool water and distribute it through insulated pipes to customers' buildings. Air is then forced past cold-water tubing to produce an air conditioned environment. The warmer water is returned to the central plant to be re-chilled and redistributed. The technology is the same as in standard air conditioning systems. Each central plant consists of one or more chillers, heat exchangers, pumps and insulated piping. District cooling can be run on electricity or natural gas, and can use either regular water or seawater for heat rejection. Gas powered plants are usually more expensive to install, but cheaper to operate.

District cooling achieves economies of scale through the use of a centralised plant, rather than individual chillers in each building. The larger the central plant, the larger the economies of scale. By reducing capital and energy costs, district cooling can reduce building operating costs and eliminate the capital cost of conventional air conditioning, whilst meeting environmental regulations with an outsourced service.

District cooling output is measured in tons and ton-hours of cooling. One ton-hour of cooling is equivalent to 12,000 BTUs. Ton-hours are measured by recording the flow of water and the differential between the chilled water temperature at the point of supply and the warmer water temperature at the point of return. Plant capacity is specified in tons of cooling capacity. Contracts with its customers specify how many tons are to be provided.

District cooling systems can replace any type of air conditioning system, but primarily compete with air-cooled chiller systems serving larger buildings and installations. Most tall buildings have such chillers, typically mounted on the roof. In addition to consuming large amounts of electricity, this typical building equipment is subject to a difficult operating environment, including extreme heat, saline humidity and windborne sand. Over time, performance, efficiency and reliability suffer, leading to significant maintenance costs and, ultimately, to equipment replacement. In addition, air cooled equipment can be noisy and can create uncomfortable drafts.

By switching to a water-cooled chiller district cooling technology, building owners stand to gain from a reduction in electricity consumption by up to 50 per cent. Added to this are reductions in maintenance and capital replacement costs and improved reliability and performance.

Benefits of district cooling

Despite the high initial capital cost and the licensing requirements compared to conventional air-conditioning, the benefits of district cooling, both commercial and social, are recognised by building owners, property management companies, municipal governments, state planning committees and environmentalists.

Benefits to the owner or manager of the building include:

- **Reduced construction costs**

  By outsourcing the cooling requirements, the owner or manager of a large property does not need to invest the capital cost of air conditioning, which can represent up to 10 per cent. of the overall cost of a building.

- **Reduced maintenance costs**

  Larger buildings require full time experts in air conditioning, security, ventilation, electricity and elevators. Outsourcing of cooling services leads to reduction in building maintenance costs and overheads as there are no on-site chillers to maintain.

- **Increased revenue generating area**

  The space where the chiller would have been located is freed up for the construction of roof-top pools or gardens. Reduction in roof noise can increase the rents chargeable for top floors of large buildings.

- **Greater ability to control and regulate air quality**

  Traditional systems are difficult to control when output is below the optimal levels for which the system was designed. The economies of scale of district cooling systems allow operators to match supply and demand of cooling more exactly.

- **Improved efficiency through economies of scale**

  A central plant requires up to 30 per cent. less capacity than the aggregate capacity required under individual systems.

- **Lower fuel consumption than an on-site system**

  District cooling can substantially reduce the electricity costs of cooling a large property. Benefits to governments, municipalities and the environment include:

- **Reduction of pollution and CFCs**

  District cooling plant s do not use CFC refrigerants.

- **Reduced energy consumption and reduced peak energy demand**

  Thermal storage systems lead to improved energy security for a nation. As mentioned above, it is estimated that 70 per cent. of the overall electricity consumption in the UAE during peak load periods in the summer is attributable to air conditioning systems.

Economics of district cooling

The economics of district cooling systems depend on securing long-term off-take contracts with customers of appropriate credit standing, to provide reliable revenue streams to service debt.

Normally a commercial provider of district cooling systems would target a capacity of 10,000 tons or more to derive the benefits of economies of scale.

An "anchor contract" needs to be established with one or two large reliable customers (such as a shopping mall or a military installation), while "add-on" contracts can be signed with smaller customers (office buildings, hotels, etc.). Typically, once sufficient capacity has been pre-sold to "anchor" customers, the central plant is designed for two to three times the pre-sold capacity, to allow for additional chillers to meet increases in demand from existing customers and from new customers in close proximity to the distribution system.

Careful choice of the location of the central plants is important to the viability of a district cooling system. The plant must be located close to its customers and there should be sufficient space available at the plant site for future expansion.

GCC District Cooling Market

Tabreed pioneered commercial district cooling services in the UAE, when it commissioned the first plant (of 3,800 tons capacity) for the UAF in 1999. Since 1999, management estimates that the installed capacity operated by commercial district cooling service providers in the UAE market has grown to approximately 550,000 tons, with Tabreed operating approximately 287,000 tons.

The UAE is currently one of the most active real estate markets in the world. There are a number of landmark real estate projects being undertaken by major developers such as Emaar Properties, Nakheel Group, Dubai Holdings, Aldar and numerous other private sector developers. This is creating, at present, a significant demand for cooling capacity.

In the rest of the GCC, there is a large installed central plant cooling capacity, particularly in Saudi Arabia. However, most of these Cooling Assets are owned and operated by the establishments that they serve, and not on a commercial basis. Considering only commercially operated capacity, the UAE would constitute the bulk of the GCC market, the latter having an estimated size of about 585,000 tons. Tabreed accounts for approximately 324,000 tons of the overall current capacity.

In recognition of its achievements, the International District Energy Association (IDEA) awarded Tabreed two Gold Awards in 2005 and in 2007, respectively, for the largest amount of space cooled and the maximum number of buildings connected. In addition, in 2008 Tabreed was awarded the 8th Sheikh Khalifa Excellence Award for its excellent performance in the services sector.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is based on, and should be read in conjunction with, Tabreed's audited consolidated financial statements as at and for the years ended 31 December 2007, 31 December 2006 and 31 December 2005, and the notes thereto. The financial statements referred to above are included elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects Tabreed's current views with respect to future events and financial performance. Tabreed's actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Prospectus.

Overview

Tabreed is one of the leading suppliers of district cooling services in the United Arab Emirates (the "UAE"). Tabreed designs, engineers, finances, constructs and operates district cooling facilities that supply chilled water for air conditioning. In addition, the Company has expanded its district cooling operations by establishing subsidiaries and associate companies in Qatar, Bahrain, Jordan, Oman, Saudi Arabia and Kuwait. The Company has also developed a number of subsidiary companies which service the district cooling and air conditioning industry ("Value Chain Businesses").

Tabreed currently operates 31 district cooling plants in the UAE (of which it wholly owns 22 in the UAE) from which it sells chilled water air conditioning services to customers that are connected to the relevant distribution network. Tabreed and its subsidiaries own approximately 227,000 refrigeration tons ("tons") of capacity in the GCC region, of which approximately 220,000 tons is in the UAE and approximately 7,000 tons is in Bahrain. Tabreed operates approximately further 97,000 tons through associates, of which approximately 67,000 tons is in the UAE and approximately 30,000 tons is in Qatar. In addition, based on existing arrangements, Tabreed has in the GCC region a 722,000 ton pipeline of projects under construction/development (of which approximately 471,000 tons in the UAE) and a 473,000 ton pipeline of potential new projects (of which approximately 200,000 ton in the UAE), expected to be installed by the end of 2010.

Key Factors Affecting the Company's Results of Operations

District Cooling — Chilled Water

Tabreed's chilled water business has been its major engine for growth. Over the last three years, the Company has more than doubled the number of plants it operates in the UAE from 15 in 2005 to 31 in 2007, increasing its installed capacity under operation from 114,000 tons to approximately 287,000 tons. During this period, the Company has also successfully reduced its reliance on the UAF, by increasing the share of installed capacity serving commercial and other government customers from a little over 15 per cent. in 2005 to close to 47 per cent. by 2007.

In 2006, Tabreed disposed of a 60 per cent. interest in 54,500 tons of district cooling capacity by selling the plants to a 40 per cent. held associate company — Sahara District Cooling Limited. This sale resulted in a profit of AED 40.55 million being recognised in 2006 and freed up capital to invest in future growth. Despite the sale of capacity, Tabreed's revenues grew at a compounded annual growth rate ("CAGR") of 24 per cent. from the end of 2004 to the end of 2007.

The district cooling business model, which is based on long term off-take contracts and a three-tier tariff structure:

- ensures that a consistent stream of cash flows exist;
- ensures profitability linked to capacity on stream; and
- provides for increasing revenues escalated by inflation.

The following factors, including the risks and uncertainties discussed under "Risk Factors", are some of the key drivers that will affect Tabreed's chilled water air conditioning business:

- The Company's capacity utilisation for its existing base of installed capacity and future growth in capacity which will depend on real estate growth in target markets;
- The Company's ability to complete projects and service contracts within budgeted capital costs and scheduled time frames;
- The Company's ability to successfully finance new projects and manage its floating rate interest exposure;

- The level of tariffs and the ability to increase these under customer contracts in line with increases in inflation; and
- The Company's ability to effectively manage fixed and operating overhead cost increases in the current economic environment of high inflation in the GCC countries.

Tabreed manages the impact of inflation in its Chilled Water division on an annual basis, offsetting ongoing increases in underlying costs (in particular, wages and housing for labour) with a resetting of pricing for its services rendered. This reset occurs once yearly, at or around the middle of the calendar year. While Tabreed endeavours to anticipate and adjust for cost inflation over the successive year, differences in assumed and actual cost inflation can lead to year-on-year variability in quarterly results.

Contracting

Tabreed's contracting business is derived from its wholly owned contracting subsidiary, Gulf Energy Systems LLC which retrofits military buildings to make them compatible for district cooling. This is not a long term activity for Tabreed and revenues for the contracting business segment grew at a CAGR of 7 per cent. years. However, the Company has been successful in maintaining stable margins despite the increases in contracting costs in the UAE.

The results of Tabreed's in house EPC contracting business SNC Lavalin Gulf Contractors ("SLGC"), have been completely eliminated on consolidation as this business has not carried out any contracting business for customers other than Tabreed itself.

The principal factors that will therefore affect the results of Tabreed's contracting business include the continuing requirement of contracting services by the military and the ability of SLGC to develop contracting business with companies other than Tabreed.

Manufacturing

Tabreed derives its manufacturing business results from Emirates Pre-insulated Pipes Industries ("EPPI"), a 60 per cent. owned subsidiary which currently sells nearly 90 per cent. of its output to the district cooling industry. On the back of steady growth that the district cooling industry has been witnessing in the GCC countries, revenues for EPPI have grown at a CAGR of 50 per cent. over the last three years. The Company has been able to effectively hedge raw material price increases, especially for steel, predominantly by making back to back purchases. This has enabled this segment to maintain stable margins and register a CAGR of 49 per cent. in the segment result over the last three years.

The principal factors that will affect performance of Tabreed's manufacturing business is the continued growth in the district cooling industry in the GCC countries and its ability to continue to manage increases in raw material costs.

Services

Tabreed's services business derives close to 90 per cent. of its revenues from Ian Banham and Associates ("IBA"), a 70 per cent. owned subsidiary of Tabreed. IBA specialises in electrical and mechanical work for residential, commercial, hotels, industrial and institutional projects and has witnessed robust growth of over a 97 per cent. CAGR over the last three years, resulting from the rapid growth in green field real estate development projects in the UAE. Apart from maintaining a leading position in electro-mechanical engineering in the UAE, Tabreed has been able to successfully grow its segment result by a CAGR of 158 per cent. during this period.

The performance of Tabreed's services business is dependent on the continued growth of green field real estate development projects in the UAE.

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the UAE Commercial Companies Law of 1984 (as amended). In the process of applying Tabreed's accounting policies, the management of Tabreed makes various judgements and estimates that affect the reported amounts of income and expenses for a period and the reported balances of assets and liabilities as of the date of the financial statements. Examples of such judgements and estimates include, but are not limited to, the classification of investments, estimates of remaining useful life of property, plant and equipment, determination as to whether an arrangement contains a lease, estimates as to impairment of goodwill, accounts receivable and inventories, respectively. Actual results could differ from these judgements and estimates. The following is not an exhaustive summary of Tabreed's significant accounting policies, which are presented in the notes to Tabreed's financial statements.

Revenue Recognition

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

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

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

Connection Fees are recognised on a straight line basis over the term of the respective customer contracts unless they represent a separately identifiable service and satisfy other criteria for upfront recognition in the income statement.

Other income representing management service income and property service income is recognised when the service is performed.

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 or borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed assets or not attributable to qualifying assets are expensed in the period in which they are incurred.

Capital Work In Progress

Capital work in progress is recorded at cost which represents the contractual obligations of Tabreed for the construction of the plant. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with Tabreed's policies when construction of the asset is completed and available for use.

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and related integrated assets (including building):	over 30 years (effective from 1 January 2007)
Distribution Assets:	over 50 years (effective from 1 January 2007)
Furniture and fixtures:	over 3 to 4 years
Office equipment and instruments:	over 3 to 4 years
Motor vehicles:	over 4 to 5 years

Prior to 1 January 2007, plant, buildings and distribution assets were depreciated over 25 years. The asset's residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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

The Group performs regular major 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 or equipment as a replacement, if the recognition criteria are satisfied. The cost recognised is depreciated over the period until the next planned major overhaul.

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

Investments in associates

The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the consolidated balance sheet at cost, plus post acquisition changes in the Company's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its associates. Where there has been a change 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 changes in equity. Profits and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. Losses on transaction are 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 of the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

Interest bearing loans and borrowings and Islamic financing arrangements

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

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

Derivative financial instruments and hedging

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

Results of Operations

The table below sets forth the results of the Company's operations on an audited, consolidated basis for the years ended 31 December 2007, 2006 and 2005:

	Year Ended 31 December		
	2007	**2006**	**2005**
		(AED '000)	
Revenue	549,300	469,995	400,904
Operating costs	(312,063)	(280,975)	(248,988)
Gross Profit	**237,237**	**189,020**	**151,916**
Salaries and staff related costs	(59,851)	(37,001)	(30,753)
Other administrative expenses	(56,686)	(47,561)	(38,595)
Provision for impairment of property, plant and equipment	—	(197)	—
Finance costs	(68,697)	(51,305)	(35,433)
Other income	37,083	70,684	20,034
Share of results of associates	12,077	1,617	478
Profit for the year	**101,163**	**125,257**	**67,647**
Attributable to:			
Equity holders of the parent	71,907	104,406	51,140
Minority interests	29,256	20,851	16,507
	101,163	**125,257**	**67,647**

Break down of Revenues and Costs

Revenue

Revenue comes from Tabreed's four business segments which include:

- chilled water (which accounted for approximately 35 per cent. of 2007 revenues);
- services (which accounted for approximately 20 per cent. of 2007 revenues);
- contracting (which accounted for approximately 19 per cent. of 2007 revenues); and
- manufacturing (which accounted for approximately 26 per cent. of 2007 revenues).

Chilled water revenues are derived from the Company's core business activity of providing district cooling services. The UAF has been Tabreed's major customer to date, accounting for approximately 47 per cent. of installed capacity owned (directly and through subsidiaries) and approximately 67 per cent. of its district cooling revenues in the year ended 31 December 2007.

Contracting revenues are derived from retrofitting work done by Gulf Energy Systems ("GES") for the UAF to make their buildings compatible for district cooling. The entire contracting revenues for the year ended 2007 was derived from GES as revenues for SLGC were eliminated on consolidation.

The manufacturing segment which derives its revenue from sale of pre-insulated pipes to the district cooling industry in the GCC countries has a diverse customer base with the top three customers in 2007 accounting for approximately 53 per cent. of segment revenues for the year.

During 2007, Tabreed derived over 90 per cent. of its services segment revenues from Ian Banham and Associates.

The following shows the consolidated revenues, excluding inter segment sales, for each of the Company's business segments for years ended 31 December 2007, 2006 and 2005:

	2007		2006		2005	
	(AED '000)	(% growth)	(AED '000)	(% growth)	(AED '000)	(% growth)
Chilled Water	192,771	10.2	175,003	31.5	133,128	31.2
Contracting	103,211	1.2	100,983	(7.6)	109,317	30.2
Services	106,943	55.8	68,640	81.4	37,838	178
Manufacturing	146,375	16.8	125,369	3.9	120,621	180.5
Total	**549,300**	**16.9**	**469,995**	**17.22**	**400,904**	**65.6**

Operating Costs

The percentage of operating costs for each of Tabreed's business segments for the year ended 31 December 2007 is as follows:

- Chilled Water — approximately 31 per cent. of 2007 operating costs;
- Contracting — approximately 25 per cent. of 2007 operating costs;
- Manufacturing — approximately 33 per cent. of 2007 operating costs; and
- Services — approximately 11 per cent. of 2007 operating costs.

Chilled water segment related operating costs predominantly include utility costs such as gas, electricity and water. These accounted for close to 39 per cent. of segment operating costs in 2007. Other chilled water segment costs include plant depreciation costs which accounted for close to 31 per cent. of segment operating costs and other process input costs which include costs for consumables and plant maintenance, which accounted for the approximate remaining 30 per cent. of segment operating costs in 2007. All utilities consumption cost including any rate increases, are passed on to customers through a consumption charge under Tabreed's customer contracts.

Contracting segment operating costs primarily include contracting costs which accounted for over 95.5 per cent. of segment operating costs.

Manufacturing segment operating costs primarily include raw material consumption cost, which accounted for over 98% of segment operating costs in 2007. To a large extent, the Company hedges itself from increases in commodity prices, especially for steel, by making back to back purchases or sales.

Services segment operating costs primarily include direct labour related costs for Ian Banham and Associates, which accounted for over 78 per cent. of segment operating costs and water quality services for BAC Balticare Gulf LLC, which accounted for over 11 per cent. of segment operating costs.

Salaries and staff related costs

Salaries and staff related costs primarily include salary costs of employees of the Group including bonuses, value of employee benefits provided and end of service benefits expensed during the year.

Other administrative expenses

Other administrative expenses primarily include professional and consultancy charges, depreciation on non-plant assets, sales costs, provision for doubtful debts, IT infrastructure and maintenance costs and other general administrative costs.

Provision for impairment of property, plant and equipment

Tabreed states property, plant and equipment at cost less accumulated depreciation and any impairment in value. A provision is made if an indication exists that the carrying value exceeds the estimated recoverable amount. A provision for impairment of property, plant and equipment was made for one district cooling plant in 2006.

Finance costs

Finance costs are incurred primarily for borrowings for the chilled water business. These costs include borrowing costs incurred on interest bearing loans, borrowings and overdrafts to the extent to which they are not capitalised, costs incurred on Islamic financing arrangements and the interest element of finance leases. Tabreed also uses derivative financial instruments such as interest rate swaps and forward currency contracts to hedge risks associated with interest rate and foreign currency fluctuations, respectively. Net costs incurred in respect of the periodic settlement of these hedges are also included under finance costs.

Other income

Other income primarily includes income earned on time deposits, Islamic investment profits, management services based on operations and management contracts entered into with subsidiary and associate companies, property maintenance income and any profit or loss realised on the sale of fixed assets.

Share of results of associates

The Company's investments in associates are accounted for under the equity method of accounting. Associates are entities over which the Company exercises significant influence and are neither subsidiary nor joint venture companies. Shares of results of associates include returns from Tabreed's investments in its associates in the UAE, Qatar, Jordan and Saudi Arabia.

Years ended 31 December 2007 and 2006

Revenue

Revenue for the year ended 31 December 2007 was AED 549.3 million, a 16.9 per cent. increase from AED 469.9 million for the year ended 31 December 2006. This was primarily due to chilled water revenue increasing by 10.2 per cent., services revenue increasing by 55.8 per cent. and manufacturing revenue increasing by 16.8 per cent. Increase in chilled water revenue resulted from 10 new plants being installed and a net increase in connected load, despite the sale of plant assets at the end of 2006. Services revenue increased principally due to a 62 per cent. increase in engineering consulting income from Ian Banham and Associates. Manufacturing revenue increased due to the increase in sales volume of pre-insulated pipes to the district cooling industry which as a whole has witnessed steady growth. Contracting revenue remained more or less at the same level as 2006.

Operating costs

Operating costs for the year ended 31 December 2007 were AED 312.1 million, a 11 per cent. increase from AED 281.0 million for the year ended 31 December 2006. The increase in operating costs for the chilled water segment was 6 per cent., which resulted from a higher consumption of utilities to service the higher connected load during the year, offset by a 27 per cent. or approximately AED 14 million reduction in depreciation on plant and lease assets sold at the end of 2006 and from a change in the accounting policy for depreciation (based on a revised estimated useful life of plant assets). Operating costs for the manufacturing segment were higher as a result of a 21 per cent. increase in raw material consumption cost, largely due to higher sales volumes and partly due to some increases in steel prices during 2007. Operating costs for the contracting segment increased by 7.5 per cent. due to an increase in contracting charges. Operating costs for the services segment increased by approximately 42 per cent. due to higher direct labour related costs for higher revenues achieved during the year.

Salaries and staff related costs

Salaries and staff related costs For The Year Ended 31 December 2007 were AED 59.9 million, a 61.9 per cent. increase from AED 37.0 million For The Year Ended 31 December 2006. This increase was primarily due to an increase in employee head count across the Group by 21 per cent. during 2007, the details of which have been given below and from salary revisions made during the year to reflect general UAE market conditions.

	2007	2006	Percentage Increase/ Decrease (%)
Chilled Water	420	312	35
Services	250	234	7
Contracting	10	11	(9)
Manufacturing	95	82	16
Total	**775**	**639**	**21**

Other administrative expenses

Other administrative expenses for the year ended 31 December 2007 were AED 56.7 million, a 19.1 per cent. increase from AED 47.6 million for the year ended 31 December 2006. This was primarily due to an increase in sales and marketing costs of AED 3 million.

Provision for impairment of property, plant and equipment

While a provision for impairment of one plant was made in 2006 for AED 197,000, there were no provisions made during 2007.

Finance costs

Finance costs for the year ended 31 December 2007 were AED 68.7 million, a 33.9 per cent. increase from AED 51.3 million for the year ended 31 December 2006. This was primarily due to commissioning of several new plants worth AED 756.8 million during 2007, which resulted in the borrowing costs for these completed plants being expensed during the year.

Other income

Other income for the year ended 31 December 2007 was AED 37.1 million, a 47.5 per cent. decrease from AED 70.7 million for the year ended 31 December 2006. This decline was due to other income for 2006, including extraordinary income of AED 40.55 million arising from sale of plant assets. This decrease was partially offset by an increase in management services and property maintenance income by 139 per cent. or AED 10 million.

Share of results of associates

Share of results of associates for the year ended 31 December 2007 was AED 12.1 million, an eight fold increase from AED 1.6 million for the year ended 31 December 2006. This increase was primarily due to Tabreed's share of the results of Sahara Cooling Limited, a company incorporated in 2007, amounting to AED 8 million and from an increase in Tabreed's share of the results of its investment in Qatar Central Cooling Company PJSC, amounting to AED 4.7 million.

Years ended 31 December 2006 and 2005

Revenue

Revenue for the year ended 31 December 2006 was AED 469.9 million, a 17.2 per cent. increase from AED 400.9 million for the year ended 31 December 2005. This was primarily due to chilled water revenue increasing by 31.5 per cent. and services revenues increasing by 81.4 per cent. Chilled water revenues increased due to 7 new plants being installed resulting in an increase in connected load. Services revenues increased due to a 73 per cent. increase in engineering consulting income from Ian Banham and Associates. While manufacturing revenues remained more or less at the same level as 2005, contracting revenues declined by approximately 7.6 per cent. due to a decrease in revenues of GES.

Operating costs

Operating costs for the year ended 31 December 2006 were AED 281.0 million, a 12.9 per cent. increase from AED 249.0 million for the year ended 31 December 2005. This was predominantly due to an increase in chilled water operating costs arising from an increase in plant depreciation of AED 12.6 million and higher consumption in utilities resulting from the increased capacity. Operating costs for the manufacturing segment remained more or less at the same level as in 2005. Operating costs for the contracting segment decreased by approximately 11 per cent. per cent. due to a decrease in contracting charges.

Salaries and staff related costs

Salaries and staff related costs for the year ended 31 December 2006 were AED 37.0 million, a 20.1 per cent. increase from AED 30.8 million for the year ended 31 December 2005. This increase was primarily due to an increase in employee head count across the Group by 37 per cent. during 2006 the details of which have been given below:

	2006	2005	Percentage Increase (%)
Chilled Water	312	232	34
Services	234	160	46
Contracting	11	11	0
Manufacturing	82	63	30
Total	**639**	**466**	**37**

Other administrative expenses

Other administrative expenses for the year ended 31 December 2006 were AED 47.6 million, a 23.3 per cent. increase from AED 38.6 million for the year ended 31 December 2005. This increase was primarily due to higher corporate office administrative expenses and a provision for bad and doubtful debts for an amount of approximately AED 2.9 million during 2006.

Provision for impairment of property, plant and equipment

Provision for impairment of property, plant and equipment for the year ended 31 December 2006 was AED 0.197 million. There was no provision for impairment of property, plant and equipment for the year ended 31 December 2005.

Finance costs

Finance costs for the year ended 31 December 2006 were AED 51.3 million, a 44.9 per cent. increase from AED 35.4 million for the year ended 31 December 2005. This was primarily due to higher interest rates prevailing during the period and due to the commissioning of new plant assets during the period.

Other income

Other income for the year ended 31 December 2006 was AED 70.7 million, a 253.5 per cent. increase from AED 20.0 million for the year ended 31 December 2005. This increase was primarily due to extra-ordinary income of AED 40.55 million arising from the sale of plant assets. In addition, there was an increase in management services and maintenance income by AED 4 million and an increase in interest income by AED 2 million.

Share of results of associates

Share of results of associates for the year ended 31 December 2006 was AED 1.6 million, a 233.3 per cent. increase from AED 0.48 million for the year ended 31 December 2005. This was primarily due to Tabreed's share of the results of its investment in Qatar Central Cooling Company PJSC generating approximately AED 1.5 million during 2006.

Liquidity and Capital Resources

The Company's liquidity requirements arise primarily from managing capital commitments for its various projects under implementation, and the need to fund working capital. The Company monitors the risk of a shortage of funds using a recurring liquidity planning tool. This model considers the maturity of both its financial investments and financial assets (for example, accounts receivable and other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Company's policy is that not more than 20 per cent. of borrowings should mature within a 12 month period. During the periods covered by the consolidated financial statements, the Company has primarily financed its operations and investments through a combination of cash flow from operations and short-term and long-term borrowings from the international capital markets and third-party banks. The table below summarises gross debt raised by the Company over the last five years:

Name of Facility	Year of Approval	Year of Final Maturity	Amount
			(AED' 000)
HSBC Term Loan — Umbrella Corporate Facility	2003	2013	700,000[1]
ADIB — Islamic Muqawala Facility	2004	2013	120,000[2]
Sukuk Istisna's — 1(49%)	2004	2009	180,075
Sukuk Ijara's — 1(51%)	2004	2009	187,425
SMBC Term Loan for Summit District Cooling Company	2005	2016	76,380
HSBC Term Loan for i2i LLC	2005	2009	1,000
GIB Term Loan for Bahrain District Cooling Company	2006	2019	185,200[3]
HSBC Term Loan for EPPI	2006	2012	11,950
Sukuk Istisna's — 2	2006	2011	734,800
BNP Paribas — Tabreed Corporate Facility	2007	2008	367,400[4]
Total			**2,564,250**

Notes:
(1) To be re-financed by an AED 1 billion facility currently being raised
(2) Prepaid in 2007
(3) After expansion in 2007. As at 31 December 2007, the amount of the loan drawn down was AED 137,090,000
(4) Repaid in 2008 with a bilateral loan facility from HSBC, which is to be replaced with the AED 1 billion re-financing facility mentioned in Note 1 above

Dividend and Earnings History

The Company has no formal dividend policy. The table below summarises the Company's dividend history and its income and share data for the three years ended 31 December 2007:

	Year Ended 31 December		
	2007	2006	2005
Profit for the year attributable to ordinary equity holders (AED '000)	71,907	104,406	51,140
Weighted average number of ordinary shares issued (excluding treasury shares) (AED '000)	1,123,950	1,050,000	945,205
Basic and diluted earnings per share (AED)	0.06	0.10	0.05
Stock dividend issued (AED '000)	79,380	84,000	50,000
Dividend Rate	7%	8%	5%

Cash Flows

The following table sets forth certain information about the Company's consolidated cash flows for three years ended 31 December 2007:

	Year Ended 31 December		
	2007	2006	2005
		(AED '000)	
Net cash from operating activities	300,098	36,569	224,814
Net cash used in investing activities	(678,216)	(967,272)	(700,760)
Net cash from financing activities	160,566	1,108,792	656,156
Increase in cash and cash equivalents	(217,552)	178,089	180,210
Cash and cash equivalents at 1 January	**586,188**	**408,099**	**227,889**
Cash and cash equivalents at 31 December	**368,636**	**586,188**	**408,099**

Years Ended 31 December 2007 and 2006

Net cash from operating activities for the year ended 31 December 2007 was AED 300.1 million, an increase of AED 263.5 million from AED 36.6 million for the year ended 31 December 2006. This increase was due to higher operating cash profits of AED 31.5 million in 2007 and a decrease in working capital by AED 172.3 million, compared to an increase in working capital by AED 88.3 million in 2006. The decrease in working capital was primarily due to an increase in accounts payable and accruals of AED 187.04 million, which primarily comprised payables to contractors. The increase in contract work in progress was substantially offset by a decrease in trade and other receivables.

Net cash used in investing activities for the year ended 31 December 2007 was AED 678.2 million, a decrease of AED 289.1 million or 29.9 per cent., from AED 967.3 million for the year ended 31 December 2006. Whilst there was an increase in capital work in progress net of advances by AED 204 million, this was offset by proceeds from the sale of assets of AED 501.8 million, leading to a net decrease.

Net cash from financing activities for the year ended 31 December 2007 was AED 160.6 million, a decrease of AED 948.2 million or 85.5 per cent., from AED 1,108.8 million for the year ended 31 December 2006. This decrease was primarily due to principal repayments of Islamic financing arrangements of AED 238 million (being prepayments of financing facilities that were linked to assets which were sold at the end of 2006).

While the Company raised AED 463.6 million through long term loans and under Islamic financing arrangements in 2007, total monies received under new Islamic financing arrangements and other long term loans in 2006 was over AED 1,107.1 million.

Years Ended 31 December 2006 and 2005

Net cash from operating activities for the year ended 31 December 2006 was AED 36.6 million, a decrease of AED 188.2 million, or 83.7 per cent., from AED 224.8 million for the year ended 31 December 2005. This decrease was primarily due to an increase in working capital of approximately AED 116.2 million during 2006.

Net cash used in investing activities for the year ended 31 December 2006 was AED 967.3 million, an increase of AED 266.5 million, or 38 per cent., from AED 700.8 million for the year ended 31 December 2005. This increase was primarily due to increases in capital work in progress net of advances of AED 268.6 million for ongoing investments related to new district cooling plants or the expansion of existing cooling plants.

Net cash from financing activities for the year ended 31 December 2006 was AED 1,108.8 million, an increase of AED 452.6 million, or 69 per cent., from AED 656.2 million for the year ended 31 December 2005. This increase was primarily due to the receipt of proceeds of AED 734.8 million for new Islamic Istisna'a loans raised (Sukuk issue) and an increase in term loan proceeds by AED 164.3 million during 2006.

In 2005, the net cash from financing activities was mainly derived from an increase in share capital of AED 500 million.

Capital Resources

During the periods presented, the Company met its cash needs principally through cash generated from operations, sales of fixed assets (as referred to "— Key Factors Affecting the Company's Results and Operations — District Cooling — Chilled Water") and from borrowings and raising of new equity.

Capital Requirements

For 2008, the Company has future capital expenditure requirements of approximately AED 2,041 million for identified new plants and requires an additional AED 1,105 million for new joint venture investments. The Company anticipates meeting this capital requirement from the proceeds of the Certificates issue and through new long term financing arrangements by the Company and its subsidiaries/joint venture companies.

Market risk discussion

Financial Policies

Tabreed adopted specific financial policies and procedures in 1999 and has updated and revised those policies and procedures this year. These revised policies and procedure were approved by the Board of Directors on 13 February 2008.

Tabreed established its own Internal Audit department in September 2006. Prior to this, the Internal Audit function was an outsourced activity. Currently, the department is staffed with one Director and two internal Auditors. The Audits Director reports to the Board's Audit Committee and to the Deputy CEO.

Tabreed audits each of its operating departments and significant subsidiaries over a period of time. From September 2006 to December 2007, Tabreed completed the audit of "Purchasing and bidding process", "Payroll", "Bahrain District Cooling Company's operations", "Accounts receivable", "Advances to employees", "Business travel expenses", "Bank reconciliation", "Year-end physical inventory" and "Construction work-in-progress".

Hedging

It is Tabreed's policy to avoid speculative positions in currencies and interest rates and to protect itself directly from adverse movements in prevailing interest rate levels by purchasing derivative instruments, such as swaps or options to protect it, either wholly or partially. At 31 December 2007, after taking into account the effect of interest rate swaps, approximately 65 per cent. of the Group's borrowings are at a fixed rate of interest.

The Company has forward foreign exchange contracts outstanding, designated as a fair value hedge to hedge, the risk associated with foreign currency fluctuations relating to commitments to purchase equipment for various contracts from European suppliers and settle inter-company transactions in Canadian Dollars. The terms of the forward foreign exchange contracts match the terms of the commitments.

Commitments and Contingent Liabilities

Financial Liabilities

Tabreed has various contractual obligations and commercial commitments to make future payments, including term loans, Islamic financing arrangements and finance lease obligations. The following table summarises the

Company's future obligations for its financial liabilities based on undiscounted payments and current market interest rates, as at 31 December 2007.

	Payments due as at 31 December 2007					
	On Demand	Less than 3 months	3 to 12 months	1-5 years	More than 5 years	Total
			(AED million)			
Financial Liabilities						
Derivative financial instruments	—	—	—	13.1	9.4	22.5
Interest bearing loans and borrowings	—	2.1	126.6	867.4	492.0	1,488.1
Obligations under finance leases	—	1.9	5.8	31.0	43.3	82.0
Islamic financing arrangements	—	3.9	62.4	1,264.4	—	1,330.7
Accounts payable and other financial liabilities	—	379.3	29.4	52.5	—	461.3
Bank Overdraft.	61.6	—	—	—	—	61.6
Total	**61.6**	**387.2**	**224.2**	**2,228.4**	**544.7**	**3,446.2**

Contingent Liabilities

Guarantees issued by the Company's banks on behalf of the Company and its subsidiaries which were outstanding as at 31 December 2007 are as follows:

	AED million
Performance guarantees	28.7
Advance payment guarantees	0.1
Financial guarantees	3.9
Total	**32.7**

On or around 1 June 2008, the Company expects to issue a press release announcing its preliminary unaudited financial results for the three months ended 30 March 2008. These financial statements have not yet been finalised and the Company is not yet in a position to make any announcement as to its expected financial performance. However, based on the information currently available to it, the management of the Company expects that it will meet its budgetary expectations for the year ending 31 December 2008.

DESCRIPTION OF THE SHARES

Set out below is certain information relating to the Shares including a summary of certain provisions of the Memorandum of Association and Articles of Association of Tabreed ("Articles of Association"). *Tabreed is a public joint stock company incorporated pursuant to Federal Law No. 8 of 1984 concerning Commercial Companies (as amended) (the "Commercial Companies Law"). Companies are regulated generally by the Commercial Companies Law and specifically by their constitutional documents that consist of a Memorandum of Association and Articles of Association. The Memorandum of Association and Articles of Association of Tabreed broadly follow the specimen Memorandum of Association and Articles of Association for public joint stock companies in the UAE as set out in Ministerial Decision No. (64) of 1989. Since the Shares are listed on the DFM, Tabreed must also comply with the requirements of the DFM.*

Share capital

The shares of Tabreed were listed on the DFM on 4 July 2000. Tabreed has an issued share capital of AED 1,213,000,000 divided into 1,213,000,000 ordinary shares with a nominal value of AED 1 per share. The shares are in registered form.

Rights attaching to the Shares

Tabreed shares are indivisible. Each share gives its holder equal rights in Tabreed's assets and dividends as well as rights to vote on a one-share-one-vote basis.

General Assembly of Shareholders

Meetings of the general assembly of Tabreed's shareholders may be by way of annual (ordinary) or extraordinary meetings. An ordinary general assembly is held at least once a year, within four months of the end of the financial year. The ordinary general assembly shall consider matters such as Board of Directors' and Auditors' reports, the balance sheet and the profit and loss accounts, the amount of dividends to be distributed, the election and remuneration of the Board of Directors and/or auditors and their release from liability.

Extraordinary general assemblies are convened to discuss and approve matters other than those considered in ordinary general assemblies, including: (i) amendment of the Articles of Association of Tabreed; (ii) increase or decrease in the share capital of Tabreed; (iii) extending or shortening of the term of Tabreed; or (iv) any dissolution of Tabreed.

A general assembly (annual or extraordinary) is convened by a notice from the Board of Directors. Such notice shall include the agenda of the meeting and shall be distributed (by normal post) to shareholders not less than 21 days prior to the proposed date of the general assembly, and shall be published in two local Arabic daily newspapers, with a copy of such notice and the agenda of the respective meeting to be sent to the Ministry of Economy and Commerce and the competent authority.

A shareholder who desires to attend an ordinary or extraordinary general assembly shall register his/her name in the register to be kept for that purpose at Tabreed's head office prior to the date fixed for such meeting. Such registration shall include the name of the shareholder, the number of Tabreed's shares he/she owns, the number of Tabreed's shares he/she represents and the names of the owners thereof, and he/she shall also submit his/her proxy (where applicable) in conformity with the requirements of Tabreed's Articles of Association.

At least 10 shareholders together holding at least 30 per cent. of Tabreed's shares, may require by notice in writing to Tabreed that a general assembly be convened by the Board of Directors within 15 days of submitting the request. A general assembly may also be convened if so requested by Tabreed's auditors within 15 days from the date of submitting a request.

Every shareholder of Tabreed has the right to attend the general assembly. Each share entitles its holder to one vote. Any shareholder (whether an individual or an institution) may authorise any other shareholder or any other person other than the members of the Board of Directors to act as its representative at any general assembly, and the person so authorised shall be entitled to exercise the same power on behalf of the shareholder he/she represents. A shareholder or any other person may act as proxy to one or more shareholders, provided the proxy, in such capacity, does not hold more than 5 per cent. of Tabreed's shares.

The quorum for a general assembly in its various capacities and the majority necessary to adopt resolutions shall be subject to the provisions of the Commercial Companies Law. Shareholders holding at least 40 per cent. of

Tabreed's shares may request that an extraordinary general assembly be convened by the Board of Directors within 15 days from the date of submitting the request.

Transfer of Tabreed shares

The transfer of Tabreed's shares shall be governed by and shall comply with the regulations governing companies listed on the DFM, and/or any other investment exchange on which Tabreed is listed.

Any whole number of Tabreed shares may be sold, assigned, mortgaged, pledged, disposed, or dealt with in any manner in accordance with Tabreed's Memorandum of Association. No dealing in Tabreed's shares shall be registered if the assignee is, or shall be upon the dealing, the owner of more than 20 per cent. of Tabreed's share capital.

Increase/Decrease of share capital of Tabreed

The share capital of Tabreed may be increased by issuing new shares of the same nominal amount as the original shares. The capital may also be reduced after acquiring the approval of the UAE Ministry of Economy and Commerce.

The increase or reduction of share capital shall be made by resolution of the extraordinary general assembly of the shareholders. In the case of an increase of share capital, any pre-emptive rights of the existing shareholders must be specified in the auditor's report.

According to Tabreed's Memorandum of Association the aggregate percentage of shares held by GCC nationals shall not be less than 51 per cent. of Tabreed's total shares.

Winding-up of Tabreed

Tabreed is incorporated for a 100-year term. The duration of Tabreed shall be renewed automatically for similar consecutive terms unless a resolution of an extraordinary general assembly is issued to dissolve Tabreed.

Tabreed shall cease to exist upon the occurrence of any of the following events: (i) the expiration of the specified term of Tabreed, unless it is renewed in accordance with the rules set out in its Memorandum of Association; (ii) the expiration of the objects for which Tabreed was established; (iii) the issue of a resolution of the extraordinary general assembly of the shareholders to dissolve Tabreed; and (iv) the merger of Tabreed with another company.

In the event Tabreed's losses amount to at least half of the share capital of Tabreed, the Board of Directors shall convene an extraordinary general assembly to consider the continuation or dissolution of Tabreed. No resolution to dissolve Tabreed prior to the end of its term, as stated in its Memorandum of Association, shall be effective unless adopted by the majority of shareholders required pursuant to the Commercial Companies Law.

DIVIDEND HISTORY

The Company has the following dividend payout history:

- 2003 — cash dividend of 30 fils per share (equivalent to 3 per cent. of nominal share value)
- 2004 — cash dividend of 50 fils per share (equivalent to 5 per cent. of nominal share value)
- 2005 — stock dividend of 5 fils per share (equivalent to 5 per cent. of nominal share value), following a 10:1 stock split
- 2006 — stock dividend of 8 fils per share (equivalent to 8 per cent. of nominal share value).

In respect of the 2007 financial period, the Company has approved a proposal to distribute a stock dividend of 7 fils per share (equivalent to 7 per cent. of nominal share value) be paid to the Company's shareholders.

MARKET INFORMATION IN RELATION TO THE SHARES

The information set forth in this section is based on publicly available information derived from the website of the Dubai Financial Market (www.dfm.ue). The Issuer and Tabreed accept responsibility for accurately reproducing such information and as far as the Issuer and Tabreed are aware no facts have been omitted which would render such information inaccurate or misleading, but the Issuer and Tabreed accept no further responsibility in respect of such information. Such information may be approximations or use rounded numbers.

Dubai Financial Market

Background

The Dubai Financial Market ("DFM") was established as a public institution having its own independent corporate body. The DFM is operating as a secondary market for trading of securities issued by public joint-stock companies, bonds issued by the Federal government or any of the local governments and public institutions in the UAE, units of investment funds and any other foreign or local financial instruments which are accepted by the DFM. The DFM commenced operations on 26 March 2000.

The DFM's stated role entails, *inter alia*, the following:

- providing the opportunity to invest in securities in a manner that better serves the UAE economy;
- regulating the process of trading in securities and ensuring the protection of investors from unfair and improper practices;
- creating liquidity in the marketplace through the interaction of supply and demand based on fair and equitable trading practices between investors;
- organising the transfer of securities ownership through the Clearing, Depository and Settlement Department, which operates an electronic system to ensure efficiency and timeliness of transfers;
- implementing rules of professional conduct and discipline between brokers and DFM staff to maintain a high level of integrity and to provide DFM staff with proper training; and
- collecting data and statistics about securities and issuing reports.

Listing Requirements

Prior to applying for a listing on the DFM, a company may be required to obtain the approval of the Securities and Commodities Authority (the "SCA"). The SCA may choose to exercise its administrative discretion to require its approval. In May 2004, the Council of Ministers issued Decision No. 16, amending Decision No. 12 of 2000, requiring all public joint stock companies to list their shares on a regulated stock exchange (which includes, amongst others, the DFM) in the UAE.

Reporting Requirements

All listed companies must:

- abide by the rules and regulations of the SCA;
- abide by all of the rules and regulations of the DFM or seek an exemption to the rules and regulations from the DFM;
- provide the DFM with, and publish, audited annual financial statements within 120 days of the end of its financial year and provide the DFM with quarterly and half year financial statements and make the same publicly available within 30 days from the end of the relevant period (each such set of financial statements to be accompanied by a management report on the business activity of the company for the period under review);
- immediately disclose and report to the DFM any material information including information submitted with the listing application that is likely to affect the price of the securities and the decision making of investors; and
- satisfy any additional requirements and furnish any additional documents or information that the SCA or the DFM may require.

If a listed company fails to abide by the rules and regulations promulgated by the SCA or the DFM it may be suspended or de-listed after due process.

Share Price and Trading Volumes

The table below sets forth the reported high and low quoted closing prices and average daily trading volumes for the shares of Tabreed on the DFM for the periods indicated.

	Price of shares of Tabreed (AED)		Average Daily Trading Volume
	High	Low	
2008			
January	3.49	2.50	16,601,092
February	3.34	3.00	7,162,065
March	3.04	2.18	12,692,843
2007			
January	1.97	1.62	2,629,314
February	1.85	1.51	5,848,088
March	1.85	1.59	5,767,532
April	2.00	1.58	12,418,891
May	2.71	1.90	27,839,634
June	2.68	2.43	10,730,864
July	2.71	2.34	5,261,057
August	2.43	2.15	3,606,004
September	2.38	2.24	3,417,440
October	3.37	2.25	21,678,792
November	3.31	2.64	9,632,493
December	3.47	2.83	16,639,585

Source: Zawya database

TABREED 08 FINANCING CORPORATION

Introduction

The Issuer was incorporated in the Cayman Islands on 13 March 2008 as an exempted limited company limited by shares under the Companies Law under the name Tabreed 08 Financing Corporation and its registered office address is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands, telephone number +1345 945 3727.

Business of the Issuer

The Issuer's entire issued share capital is held by Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands under the terms of a charitable purpose trust dated 28 April 2008 (the "Charitable Purpose Trust") under which Walkers SPV holds the shares of the Issuer in trust until the Termination Date as defined in the Charitable Purpose Trust. Prior to the Termination Date, (as defined in the Charitable Purpose Trust), the trust is an accumulation trust, but Walkers SPV Limited (as trustee of the shares in the Issuer) has the power to benefit the Certificateholders or a Qualified Charity (as defined in the Charitable Purpose Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date (as defined in the Charitable Purpose Trust), Walkers SPV Limited (as trustee of the shares in the Issuer) will wind up the trust and make a final distribution to charity. Walkers SPV Limited (as trustee of the shares in the Issuer) has no beneficial interest in, and derives no benefit (other than its fee for acting as trustee of the shares in the Issuer) from, its holding of the shares in the Issuer. The sole purpose of the Issuer is to issue the Certificates and enter into the transactions contemplated by the Transaction Documents. As at the date of the Prospectus, the Issuer has not commenced business and will not have any substantial liabilities other than in connection with the Certificates to be issued in accordance with the Transaction Documents. Tabreed 08 Financing Corporation receives a one-off transaction fee of U.S.$1,000.00 for its role in the transaction, but does not receive any fee for its services as Trustee in respect of the Trust.

Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer is authorised to issue up to 1,000 shares of U.S.$1.00 par value.

As at the date of this Prospectus, the Issuer had issued 1,000 Shares at an agreed price of U.S.$1.00 each.

Corporate Administration

Walkers SPV Limited of Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands (as Issuer Administrator) will act, or procure that a subsidiary acts, as the administrator of the Issuer pursuant to the terms of the Corporate Services Agreement to be entered into between the Issuer and the Issuer Administrator. In consideration of the foregoing, the Issuer Administrator will be entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement provide that the Issuer may terminate the appointment of the Issuer Administrator by giving one month's notice to the Issuer Administrator, and terminate the appointment of the Issuer Administrator without notice upon the happening of certain stated events, including, *inter alia*, breach by the Issuer Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Issuer Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing, provided that a replacement acceptable to the Issuer has been appointed.

The Issuer Administrator will be subject to the overview of the Issuers' Board of Directors. The Corporate Services Agreement may be terminated (other than as stated above) by either the Issuer or the Corporate Administrator giving the other party at least one month's written notice.

The Directors of the Issuer are all officers of the Issuer Administrator. The Issuer has no employees and is not expected to have any employees in the future.

Management and Employees

The Issuer has no employees other than those directors listed below in the section entitled "Directors".

Directors

The directors of the Issuer and their other principal activities at the date hereof are as follows:

Name	Other principal activities
David Egglishaw	Director, Walkers SPV Limited
Rachael Rankin	Vice President, Walkers SPV Limited

The business address of the directors is Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002, Cayman Islands.

Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Issuer and its private interests and/or other duties. As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

Financial Statements and Auditors' Report

The Issuer will prepare and publish audited financial statements on an annual basis. The Issuer does not intend to prepare interim financial statements. As at the date hereof, the Issuer has not yet prepared any financial statements.

It is anticipated that the Issuer will have an accounting reference date of 31 December, with the first fiscal year ending 31 December 2008. The auditors appointed in respect of the Issuer are Ernst & Young, public accountants, PO Box 510GT, Grand Cayman, Cayman Islands.

The audited annual financial statements will be available free of charge at the offices of the Issuer and Walkers SPV Limited.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to completion and amendment and save for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will be attached and (subject to the provisions thereof) apply to the Global Certificate:

Each of the AED1,700,000,000 Certificates due 2011 (the "Certificates") represents an undivided beneficial ownership interest in the Trust Assets held on trust by the Trustee for the holders of such Certificates pursuant to a declaration of trust (as amended or supplemented from time to time, the "Declaration of Trust") dated 19 May 2008 (the "Closing Date") made between Tabreed 08 Financing Corporation (the "Issuer" and, in its capacity as trustee, the "Trustee"), the National Central Cooling Company (Tabreed) PJSC ("Tabreed") and BNY Corporate Trustee Services Limited (the "Delegate"). The Certificates are constituted by the Declaration of Trust.

Payments and any delivery relating to the Certificates will be made in accordance with a Paying, Calculation and Exchange Agency Agreement dated the Closing Date (as amended or supplemented from time to time, the "Agency Agreement") made between the Issuer, the Trustee, the Delegate, The Bank of New York as principal paying and exchange agent (in such capacity, the "Principal Paying and Exchange Agent" and, together with any further or other paying and exchange agents appointed from time to time in respect of the Certificates, the "Paying and Exchange Agents"), as transfer agent (in such capacity, the "Transfer Agent" and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "Transfer Agents"), as replacement agent (in such capacity, the "Replacement Agent" and, together with any further or other replacement agents appointed from time to time in respect of the Certificates, the "Replacement Agents"), and as calculation agent (in such capacity, the "Calculation Agent") and The Bank of New York (Luxembourg) S.A. as registrar (in such capacity, the "Registrar"). References to the Delegate, the Principal Paying and Exchange Agent, the Paying and Exchange Agents, the Transfer Agents, the Replacement Agents, the Calculation Agent and the Registrar shall include any successor thereto in each case in such capacity.

The statements in these Conditions (the "Conditions") include summaries of certain provisions of the Declaration of Trust, the Agency Agreement, the Istisna'a Agreement, the Lease Agreement, the Service Agency Agreement, the Costs Undertaking, the Purchase Undertaking and the Sale Undertaking. Unless given a defined meaning elsewhere in these Conditions or the context requires otherwise, capitalised terms used in these Conditions shall have the meanings given in Condition 21 (*Definitions and Interpretations*). In addition, (and unless the context requires otherwise) words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless otherwise defined herein or unless the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection by Certificateholders during normal business hours at the specified offices of the Paying and Exchange Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Declaration of Trust and those applicable to them of the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Issuer to apply the sums paid by it in respect of its Certificates to pay for the construction and manufacturing of the Cooling Assets (as defined in Condition 4.1 (*Summary of the Trust*), and to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

1 Form, Denomination and Title

1.1 Form and Denomination

The Certificates are issued in registered form in face amounts of AED500,000 and integral multiples of AED10,000 in excess thereof. A certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each certificate will be numbered serially with an identifying number which will be recorded on the relevant certificate and in the register (the "Register") of Certificateholders which the Issuer will cause to be kept by the Registrar.

Upon issue, the Certificates will be represented by a Global Certificate deposited with a common depositary for, and representing Certificates registered in the name of a nominee of the common depositary for, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Certificates represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Certificates. The Certificates are not issuable in bearer form.

1.2 Title

The Issuer will cause the Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder of any Certificate. In these Conditions, "Certificateholder" and (in relation to a Certificate) "holder" have the definitions given thereto in the Declaration of Trust.

2 Transfers of Certificates and Issue of Certificates

2.1 Transfers

Subject to Conditions 2.4 and 2.5 and to the limitations as to transfer set out in the Agency Agreement, a Certificate may be transferred by depositing the certificate issued in respect of that Certificate, with the form of transfer duly completed and signed, at the specified office of any of the Transfer Agents.

Transfers of interests in the Certificates represented by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.2 Delivery of New Certificates

Each new certificate to be issued upon transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer provided at the offices of the Transfer Agent, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer.

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

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

For the purposes of this Condition, "business day" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar and the Transfer Agent with whom a certificate is deposited in connection with a transfer is located.

2.3 Formalities Free of Charge

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

2.4 Transfers after Transfer Record Date

No Certificateholder may require the transfer of a Certificate to be registered (a) during the period of seven days ending on (and including) any Tax Exchange Date, (b) after an Exercise Notice has been deposited in respect of such Certificate, or (c) during the period of seven days ending on (and including) any Annual Distribution Date or, as the case may be, the Maturity Date.

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Issuer from time to time with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of the regulations.

3 Status and Limited Recourse

3.1 Status

The beneficial owners of the Trust Assets are the Certificateholders. Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets and ranks *pari passu*, without any preference, with the other Certificates.

3.2 Limited Recourse

Notwithstanding anything to the contrary contained herein or in any Transaction Document, no payment of any amount or issue of any Shares whatsoever shall be made in respect of the Certificates by the Issuer or any agents thereof except to the extent that, in the case of payments, funds are available therefor from the Trust Assets and, in the case of issue of Shares, such Shares are available therefor from the Trust Assets.

The Certificates do not represent an interest in any of the Issuer, Tabreed, the Trustee (and/or its directors), the Delegate, the Agents or any of their respective affiliates. By subscribing for or acquiring the Certificates, Certificateholders acknowledge that no recourse may be had for the payment of any amount owing and/or issue of any Shares due in respect of the Certificates against the Issuer or Tabreed (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee (and/or its directors), the Delegate or the Agents to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

No recourse under any obligation, covenant or agreement contained in these Conditions shall be had against any shareholder, member, officer, agent or director of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Issuer under these Conditions are corporate limited liability obligations of the Issuer and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents or directors of the Issuer save in the case of their wilful default, fraud or gross negligence. The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments and/or deliveries due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments and/or deliveries due under the Certificates, no Certificateholder will have any claim against any of the Issuer or Tabreed (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or against the Trustee (and/or its directors), the Delegate, the Agents or any of their affiliates or recourse to any of their assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer or Tabreed (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee, the Delegate, the Agents or any of their affiliates as a consequence of such shortfall or otherwise.

4 Trust

4.1 Summary of the Trust

The Issuer in its capacity as Trustee will act as trustee for and on behalf of Certificateholders pursuant to the Declaration of Trust.

Under an Istisna'a and Sale Agreement (the "Istisna'a Agreement") dated on or prior to the Closing Date between the Issuer and National Central Cooling Company (Tabreed) PJSC (the "Contractor"), the Issuer shall employ the Contractor to deliver certain construction works and/or equipment and/or machinery (the "Cooling Assets") from time to time.

In consideration for the delivery of the Cooling Assets, the Issuer shall pay to the Contractor AED1,700,000,000 (the "Istisna'a Amount") on the Closing Date.

From time to time during the period of the Istisna'a Agreement, the Contractor will, following the manufacture and/or construction and delivery of each Cooling Asset, notify the Issuer in accordance with the terms of the Istisna'a Agreement and transfer the title and risk of loss or damage to the relevant Cooling Assets to the Issuer.

Upon termination of the Istisna'a Agreement following a Dissolution Event, subject to the satisfaction of the Subordination Conditions, Tabreed will be obliged to return to the Issuer, an amount equal to the

Istisna'a Amount less the book value of each of the Cooling Assets that have been delivered to the Issuer under the Istisna'a Agreement.

The Issuer, in its capacity as lessor (the "Lessor"), shall lease each Cooling Asset to Tabreed, in its capacity as the lessee (the "Lessee"), upon completion of its construction and handover to the Issuer from time to time pursuant to the terms of a lease agreement (the "Lease Agreement") dated on or prior to the Closing Date between the Lessor and the Lessee in return for which the Lessee will make periodic rental payments to the Lessor provided that such periodic rental payments will only be payable to the Lessor if the Subordination Conditions have been satisfied. At any time during the term of the Certificates, Tabreed shall have the right to substitute all or any part of the Cooling Assets (the "Existing Parts") for other new construction works and/or equipment and/or machinery (the "New Parts") provided that the New Parts have an estimated cost at least equal to the book value of the Existing Parts. To the extent that a Total Loss Event occurs, Tabreed shall be obliged, in consideration for and subject to the obligation of the Issuer to pay any insurance proceeds received in respect of the Cooling Assets the subject of the Total Loss Event, to sell to the Issuer further Cooling Assets or other Sharia compliant assets (the "Further Parts") having a value equal to the Aggregate Face Amount of the Certificates and an expected profit of not less than the then scheduled periodic rental payments. In the event that the Lease Agreement is terminated early upon the occurrence of a Dissolution Event (including for the avoidance of doubt, an Insolvency Dissolution Event) the Lessee shall, provided that the Subordination Conditions have been satisfied, pay to the Lessor an amount equal to the amount of rental payment accrued but unpaid on the Redemption Date.

Pursuant to the purchase undertaking (the "Purchase Undertaking") dated the Closing Date provided by Tabreed (in such capacity, "Tabreed") in favour of the Issuer in its capacity as Trustee, Tabreed shall undertake to purchase all or part, as applicable, of the Assets following the issue of a notice under the Purchase Undertaking from the Trustee, which the Trustee shall serve (or shall procure the service thereof) on Tabreed (a) within 25 Trading Days following notice of a Dissolution Event, (b) not less than 25 Trading Days prior to any Change of Control Exercise Date or (c) unless all of the Assets have already been sold to Tabreed pursuant to any Transaction Document, at least 25 Trading Days prior to the Maturity Date; and in each case in the form prescribed in the Purchase Undertaking. Following service of the notice under the Purchase Undertaking by or on behalf of the Trustee, Tabreed shall be obliged (i) on the Maturity Date to issue, allot and deliver Shares by means of Physical Settlement (or, provided that the Subordination Conditions have been satisfied, to pay the Foreign Ownership Amount, if applicable pursuant to Condition 6.6 (*Foreign Ownership*)) in the manner described by Condition 6.5 (*Physical Settlement*); (ii) upon the occurrence of an Insolvency Dissolution Event and subject to the Subordination Conditions being satisfied, to pay the aggregate of the Base Amount and the Additional Amount and any Dividend Amounts; (iii) on a Dissolution Event (other than an Insolvency Dissolution Event) to deliver the number of Shares as required under Condition 12 (*Dissolution Events*) (or, provided that the Subordination Conditions have been satisfied, to pay the Foreign Ownership Amount, if applicable pursuant to Condition 6.6 (*Foreign Ownership*)) to Certificateholders who satisfy the preconditions and have properly served notices in accordance with these Conditions plus, subject to satisfaction of the Subordination Conditions, an amount equal to the Supplementary Amount, any Additional Amounts and any Dividend Amounts less any amount payable to the Issuer under the Istisna'a Agreement; or (iv) upon the occurrence of a Change of Control Exercise Date, to deliver the number of Shares described in Condition 6.2 (*Voluntary Exchange right following a Change of Control*) to Certificateholders who satisfy the preconditions in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) and have properly served notices in accordance with these Conditions, plus, provided the Subordination Conditions have been satisfied, to pay an amount equal to the Supplementary Amount, an amount equal to the Additional Amount and any Dividend Amounts all in accordance with the terms and subject to the conditions of the Purchase Undertaking. If, upon the occurrence of a Dissolution Event (that is not an Insolvency Dissolution Event) or on a Change of Control Exercise Date, any amount owing by Tabreed under the Istisna'a Agreement is greater than the Supplementary Amount, Tabreed shall be released from paying the excess against delivery by Tabreed of the number of Shares required under Condition 12 (*Dissolution Events*) or Condition 6.2.1 (*Change of Control*) as the case may be. Pursuant to the Purchase Undertaking, Tabreed has agreed to provide the Issuer with a Sharia Financial Ratio Notice setting out certain ratios in respect of its indebtedness and assets upon the occurrence of our event contemplated under (i), (iii) or (iv) above.

On the Closing Date, the Trustee shall execute a sale undertaking (the "Sale Undertaking") in favour of Tabreed. Pursuant to the Sale Undertaking, the Trustee shall undertake to sell all or part of the Cooling

Assets to Tabreed either (i) following the issue of an exercise notice in the form set out in the Sale Undertaking from Tabreed to the Trustee or (ii) not less than 34 nor more than 64 days prior to the Tax Redemption Date, in each case in accordance with the terms and subject to the conditions of the Sale Undertaking and against delivery by Tabreed of the number of Shares as prescribed by Condition 7.1 (*Exchange for Taxation Reasons*) and, subject to satisfaction of the Subordination Conditions, payment by Tabreed of an amount equal to the Supplementary Amount less any amount payable by Tabreed under the Istisna'a Agreement. In making any demand for such sale, Tabreed will deliver to the Issuer and the Trustee a Sharia Financial Ratio Notice confirming certain agreed ratios in respect of its indebtedness and assets in the form set out in the Sale Undertaking.

Pursuant to the Declaration of Trust, the Issuer, in its capacity as Trustee, will declare that it will hold assets (the "Trust Assets") primarily consisting of (a) the investments in the Cooling Assets to be manufactured and/or constructed under the Istisna'a Agreement and any Cooling Assets or part thereof delivered from time to time thereunder and any Further Parts delivered to the Issuer following a Total Loss Event; (b) all of the Issuer's rights, title, interest, benefit in any Shares delivered from time to time by Tabreed and under the Transaction Documents; and (c) all monies standing to the credit of the Transaction Account, upon trust absolutely for the holders of the Certificates *pro rata* according to the outstanding face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Certificates.

The Istisna'a Agreement, the Declaration of Trust, the Lease Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Costs Undertaking, the Certificates and any other agreements and documents delivered or executed in connection therewith are collectively referred to as the "Transaction Documents".

4.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the Certificateholders. On each Annual Distribution Date, or on a Redemption Date, the Trustee shall, subject where applicable to the Subordination Conditions, apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) first, to pay the Delegate an amount equal to any sum payable to it on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any Liability (as defined in Condition 21 (*Definitions and Interpretation*)) incurred (or reasonably expected to be incurred) by the Delegate pursuant to the Declaration of Trust or in connection with any of the other Transaction Documents or these Conditions;

(b) second, to the Principal Paying and Exchange Agent for application in or towards payment *pari passu* and rateably of all Annual Distribution Amounts, any outstanding accrued Annual Distribution Amounts, Supplementary Amount or Additional Cash Amounts (as defined in Condition 6.4(d) (*Adjustments for Redemption near a record date*)) or any Dividend Amounts due but unpaid;

(c) third, only if such payment or delivery is due on a Redemption Date, to the Principal Paying and Exchange Agent for application in or towards payment of the Foreign Ownership Amount (if any), and satisfaction of the Issuer's obligation to deliver Shares (if any), in each case due to the corresponding Exercising Certificateholder;

(d) fourth, only if such payment is due on the Maturity Date, in payment of the surplus (if any) to the Issuer.

The Principal Paying and Exchange Agent shall apply the monies so received towards the payments or deliveries, as the case may be, set forth above.

4.3 Election to receive Shares

Each Certificateholder is deemed to elect (and agrees explicitly herein to such election) by its holding of Certificates, and the Issuer has agreed to elect pursuant to the Declaration of Trust, to receive, *inter alia*, Shares on the relevant Redemption Date (as defined in Condition 6.5 (*Physical Settlement*), subject to the provisions of these Conditions.

5 Annual Distributions

5.1 Annual Distribution Amounts and Annual Distribution Dates

A distribution amount, representing a defined share of the profit in respect of the Trust Assets derived from payments made to the Issuer (as Trustee) under the Lease Agreement, will accrue and be payable on the Certificates and be distributed by the Issuer in accordance with these Conditions.

Subject to Condition 3.2 (*Limited Recourse*) and Condition 4.2 (*Application of Proceeds from Trust Assets*), the aggregate distribution payable in respect of the Certificates for any Annual Distribution Period shall be the Annual Distribution Amount and will be made by the Issuer in respect of the Certificates in arrear on each Annual Distribution Date in accordance with Condition 8 (*Payments*).

The Annual Distribution Amount payable on any Annual Distribution Date shall be distributed to each Certificateholder *pro rata* (in an amount calculated by multiplying the Annual Distribution Amount by a fraction of which the numerator is the face amount of the relevant Certificateholder's Certificates and the denominator is the Aggregate Face Amount on the relevant Annual Distribution Date, and rounding the resultant figure to the nearest AED0.01, AED0.005 being rounded upwards). The distribution amount payable in respect of each AED10,000 in face amount of Certificates shall be AED725 on each Annual Distribution Date.

If a distribution is required to be paid in respect of a Certificate on any other date, the amount of such distribution shall be calculated by the Calculation Agent by applying the Annual Distribution Rate to the face amount of such Certificate, multiplying the product by the Day Count Fraction and rounding the resultant figure to the nearest AED0.01, AED0.005 being rounded upwards.

If a Certificateholder elects to have its Certificates redeemed early following a Change of Control pursuant to Condition 6.2 (*Voluntary Exchange right following a Change of Control*) or following a tax exchange event pursuant to Condition 7 (*Tax Exchange*), amounts will accrue from the latest Annual Distribution Date up to (but excluding) the Change of Control Exercise Date or the Tax Exchange Date, as applicable, and in such circumstances the Issuer shall pay any outstanding accrued Annual Distribution Amount, the Supplementary Amount and any Dividend Amounts in respect of that Certificate to the relevant Certificateholder on the date specified in Condition 6.2 or Condition 7, as the case may be. No further amounts will accrue or be payable on any Certificate from and including its due date for redemption.

5.2 Notifications etc.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Calculation Agent on behalf of the Issuer will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Delegate, Tabreed, the Agents and the Certificateholders. No liability to the Issuer, the Trustee, the Delegate, Tabreed, the Agents or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

6 Redemption

6.1 Mandatory Redemption on the Maturity Date

6.1.1 Mandatory Redemption

Unless previously exchanged or purchased and cancelled in accordance with these Conditions and subject to completion of an Exercise Notice within the periods specified below in this Condition 6.1.1, satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) and subject further to Condition 6.11 (*Inability to Deliver*), each Certificate will, subject as provided below, be mandatorily redeemed on the Maturity Date by:

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*);

(b) the payment of any Annual Distribution Amounts accrued from the latest Annual Distribution Date up to (but excluding) the Maturity Date;

(c) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(d) the payment of any Dividend Amounts.

In order for Shares to be delivered on or after the Maturity Date, a Certificateholder must deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Maturity Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*).

If a Certificateholder does not, for whatever reason, deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Maturity Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*), such Certificateholder shall have until the 60th Trading Day after the Maturity Date to deliver such a duly completed Exercise Notice, and such Certificates will be mandatorily redeemed in accordance with (a) and (b) above within 30 Trading Days after the delivery of such a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent. **The Issuer will have no obligations in respect of any Certificateholder who fails to complete an Exercise Notice within the relevant period prescribed by this Condition 6.1.1.**

Subject as provided above, the number of Shares to be issued to an exercising Certificateholder on the Maturity Date in respect of any Relevant Certificates shall be determined by dividing the then aggregate outstanding face amount of such Relevant Certificates by the Maturity Exchange Ratio in effect on the Maturity Date.

6.1.2 Notice of Mandatory Redemption

The Issuer shall procure that notice regarding the Maturity Date shall be delivered to the Trustee, the Principal Paying and Exchange Agent, the Delegate and the Certificateholders at least 60 Trading Days prior to the Maturity Date (in accordance with Condition 18 (*Notices*)) stating:

(i) the date by which a duly completed Exercise Notice must be delivered to a Paying and Exchange Agent in order that Shares are able to be delivered on or after the Maturity Date;

(ii) the names and specified offices of all Paying and Exchange Agents;

(iii) that an Exercise Notice, once validly given, may not be withdrawn; and

(iv) attaching a copy of the Sharia Financial Ratio Notice from Tabreed in accordance with the Purchase Undertaking.

6.2 Voluntary Exchange right following a Change of Control

6.2.1 Change of Control

If a Change of Control occurs, each Certificateholder will have the right, subject as provided below, during the period of 60 Trading Days from and including the Change of Control Date (a "Change of Control Period"), to elect to have its Certificates redeemed early (the "Change of Control Exchange Right") subject always to:

(i) satisfaction of the preconditions set out in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*); and

(ii) the minimum face amount of Certificates that may be redeemed early at any time not being less than AED500,000.

In order to exercise such Change of Control Exchange Right, a Certificateholder (the "Exercising Certificateholder") shall deliver a duly completed and signed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Change of Control Exchange Exercise Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*).

If a Certificateholder does not, for whatever reason, deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Change of Control Exercise Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*), such Certificateholder will have no further entitlement to exercise such Change of Control Exercise Right.

The number of Shares to be issued to an Exercising Certificateholder on any Change of Control Exercise Date in respect of any Relevant Certificates shall be determined by dividing the then aggregate outstanding face amount of such Relevant Certificates by the Maximum Exchange Ratio in effect on the relevant Change of Control Exchange Exercise Date.

The Relevant Certificates shall, subject as provided in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) below, be redeemed by the Issuer on a Change of Control Exercise Date by:

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*) subject to completion of an Exercise Notice and satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) and subject further to Condition 6.11 (*Inability to Deliver*);

(b) subject to the satisfaction of the Subordination Conditions, the payment of any outstanding accrued Annual Distribution Amounts to (but excluding) the Change of Control Exercise Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

6.2.2 Notice of Change of Control

The Issuer shall procure that Tabreed shall, immediately upon a Change of Control, deliver notice regarding the Change of Control to the Trustee, the Principal Paying and Exchange Agent, the Delegate and the Certificateholders (in accordance with Condition 18 (*Notices*)) stating:

(i) the Change of Control Date and the Change of Control Exercise Date;

(ii) briefly, the events causing such Change of Control;

(iii) the date by which an Exercise Notice must be given in order that Shares are able to be delivered on the Change of Control Exercise Date;

(iv) the procedures described in these Conditions that Certificateholders must follow and the requirements described in these Conditions that Certificateholders must satisfy in order to exercise the Change of Control Exercise Right;

(v) the names and specified offices of all Paying and Exchange Agents;

(vi) that an Exercise Notice, once validly given, may not be withdrawn; and

(vii) attaching a copy of the Sharia Financial Ratio Notice from Tabreed in accordance with the Purchase Undertaking.

6.2.3 Delegate and Agents entitled to assume no Change of Control

The Delegate and the Agents shall be entitled to assume, until they receive actual notice in writing to the contrary, that no Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and will not be responsible or liable to Certificateholders for any loss arising from any failure by it to do so.

6.3 Payment of taxes, fees etc. in respect of any Redemption

The Issuer shall pay or procure payment of (i) all stamp, issue, registration or other similar taxes and duties (if any) arising in the UAE or the Cayman Islands, as the case may be, on the issue of Shares on exchange of the Certificates and/or their transfer and delivery to or to the order of the relevant Certificateholder, (ii) any fees, costs or other expenses of obtaining a listing for such Shares on the Exchange and (iii) all charges of the Paying and Exchange Agents and Calculation Agent in connection therewith as provided in the Agency Agreement. Subject thereto, the Certificateholder shall pay to the relevant authorities any other stamp, issue, registration or other similar taxes and duties (if any) ("Exchange Expenses") arising on exchange which may be payable:

(i) in the country in which the specified office of the Paying and Exchange Agent (which has received service of the corresponding Exercise Notice) is located (if not a Relevant Jurisdiction); and

(ii) in any jurisdiction other than a Relevant Jurisdiction, as a result of the issue of Shares upon exchange of the Certificates to or to the order of the relevant Certificateholder.

For the avoidance of doubt, none of the Issuer or the Agents shall be responsible for determining whether such Exchange Expenses are payable by an Exercising Certificateholder or the amount thereof, none of them shall be responsible for any failure by the Certificateholder to pay such amount, and none of them shall be responsible for procuring payment of such Exchange Expenses.

6.4 Adjustments of Minimum Exchange Price and Maximum Exchange Price

(a) **Exchange Price**

Upon the happening of any of the events described in Condition 6.4(b), the Minimum Exchange Price and the Maximum Exchange Price shall be adjusted as follows (with references in this Condition 6.4 to the "Exchange Price" being construed as a separate reference to each of the Minimum Exchange Price and the Maximum Exchange Price).

(b) **Adjustment Events**

Subject to Condition 6.4(d), in relation to each Certificate for which the relevant Effective Date has occurred prior to the Notification Date or the date of delivery of an Exchange Notice, the Exchange Price will be adjusted upwards or downwards as follows under the following circumstances (an "Adjustment Event"):

(i) If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Exchange Price shall be adjusted by multiplying the Exchange Price in existence immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

For the purposes of this paragraph (i), the "Effective Date" means the date on which such alteration becomes effective. The Exchange Price as adjusted pursuant to this paragraph (i) shall apply, with effect from and including the Effective Date, to each Certificate for which the Notification Date or the date of delivery of an Exchange Notice has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

(ii) If and whenever Tabreed shall issue Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Shares (other than the Certificates), in each case at a price per Share which is less than 95 per cent. of the Current Market Price per Share on the Trading Day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights, the Exchange Price shall be adjusted by multiplying the Exchange Price in existence immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares to be issued on the exercise thereof, would purchase at such Current Market Price per Share;

C is the number of Shares issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

For the purposes of this paragraph (ii), the "Effective Date" means the first date on which the Shares are traded ex-options, ex-warrants or ex-rights on the Exchange. The Exchange Price as adjusted pursuant to this paragraph (ii) shall apply, with effect from and including the Effective Date, to each Certificate for which the Notification Date or the date of delivery of an Exercise Notice has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions;

(iii) If and whenever Tabreed shall issue any Securities (other than the Certificates), Shares or options, warrants or other rights to subscribe for or purchase any Shares) to Shareholders as a class by way of rights or issue or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in existence immediately prior to such issue or grant by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the Current Market Price of one Share on the Trading Day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

For the purposes of this paragraph (iii), the "Effective Date" means the first date on which the Shares are traded ex-options, ex-warrants or ex-rights on the Exchange. The Exchange Price as adjusted pursuant to this paragraph (iii) shall apply, with effect from and including the Effective Date, to each Certificate for which the Notification Date or the date of delivery of an Exchange Notice has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

(iv) If and whenever Tabreed shall issue (otherwise than as mentioned above) wholly for cash any Shares (other than Shares issued on any rights of conversion into, or exchange or subscription for or purchase of, Shares) or issue or grant (otherwise than as mentioned above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Shares (other than the Certificates) in each case at a price per Share which is less than 95 per cent. of the Current Market Price per Share on the Trading Day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Exchange Price shall be adjusted by multiplying the Exchange Price in existence immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before the issue of such Shares or the grant of such options, warrants or rights;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Share; and

C is the number of Shares to be issued pursuant to such issue of such additional Shares or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

For the purposes of this paragraph (iv), the "Effective Date" means the date of issue of such Shares or, as the case may be, the issue or grant of such options, warrants or rights. The Exchange Price as adjusted pursuant to this paragraph (iv) shall apply, with effect from and including the Effective Date, to each Certificate for which the Notification Date or the date of delivery of an Exercise Notice has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

(v) (a) If an announcement of a Stock Dividend is made by Tabreed prior to a relevant Redemption Date or Dissolution Redemption Date, as the case may be, each Certificateholder shall be entitled to receive such number of additional Shares ("Dividend Shares") as if such Certificateholder (i) had exchanged his holding of Certificates for Shares at the Maximum Exchange Ratio on the Trading Day immediately preceding the announcement of such Stock Dividend (the "Ratio Fixing Day") and (ii) had, as a result of (i) above, been entitled to receive such Stock Dividend as a Shareholder of Tabreed. Dividend Shares deliverable to a Certificateholder following the announcement of any Stock Dividend shall not be delivered at the time of the making of such Stock Dividend. Instead, on the redemption of any Certificates, the Issuer will deliver, at the same time as the delivery of Shares and/or cash amounts pursuant to these Conditions, any Dividend Shares deliverable to the relevant Certificateholders. Notwithstanding the above, should the Maximum Exchange Ratio prevailing on the Ratio Fixing Day be adjusted at any time from (and including) the date on which the announcement of the relevant Stock Dividend was made to (but excluding) the relevant Redemption Date or Dissolution Redemption Date, as the case may be, the number of Dividend Shares deliverable to a Certificateholder pursuant to this Condition will be re-calculated as at the relevant Redemption Date or Dissolution Redemption Date, as the case may be, on the basis of the then existing Maximum Exchange Ratio.

(b) If an announcement of a Cash Dividend is made by Tabreed prior to a relevant Redemption Date or Dissolution Redemption Date, as the case may be, each Certificateholder shall be entitled to receive an additional amount (a "Dividend Amount") equal to the declared amount of any such Cash Dividend per Share or the amount of such Cash Dividend per Share as determined pursuant to paragraph (a) of the definition of Dividend as if such Certificateholder (i) had exchanged his holding of Certificates for Shares at the Maximum Exchange Ratio on the Trading Day immediately preceding the announcement of such Cash Dividend and (ii) had, as a result of (i) above, been entitled to receive such Cash Dividend as a Shareholder of Tabreed. A Dividend Amount payable to a Certificateholder following the payment of any Cash Dividend shall not be payable at the time of the making of such Cash Dividend. Instead, on the redemption of any Certificates pursuant to these Conditions, the Issuer will pay, at the same time as the delivery of Shares and/or cash amounts pursuant to these Conditions, any Cash Dividend payable to the relevant Certificateholders.

(c) If a Non-Cash Dividend is paid by Tabreed, the Exchange Price shall be adjusted as of the Effective Date of such Non-Cash Dividend by multiplying the Exchange Price in existence immediately prior to the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the arithmetic average of the VWAP of one Share for the period of eight consecutive Trading Days ending on, and including, the Trading Day immediately preceding the first day on which the Shares are traded on the Exchange ex the relevant Non-Cash Dividend; and

B is the portion of the Fair Market Value of the relevant Non-Cash Dividend attributable to one Share, with such portion being determined by dividing the Fair Market Value of the aggregate Non-Cash Dividend by the number of Shares entitled to receive the relevant Non-Cash Dividend.

For the purposes of this paragraph (v)(c), the "Effective Date" means the first date on which the Shares are traded ex-the relevant Non-Cash Dividend on the Exchange. The Exchange Price as adjusted pursuant to this paragraph (v)(c) shall apply, with effect from and including the Effective Date, to each Certificate for which the Notification Date or the date of delivery of an Exercise Notice has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

(vi) If and whenever Tabreed shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, including any share premium account or capital redemption reserve, (other than (1) where any such Shares are or are to be issued instead of the whole or part of a Dividend which the Shareholders would or could otherwise have elected to receive or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue by the following:

$$\frac{A}{B}$$

where:

A is the aggregate number of Shares in issue immediately before such issue of Shares;

B is the aggregate number of Shares in issue immediately after such issue of Shares;

Such adjustment shall become effective on the date of issue of such Shares.

(vii) If and whenever Tabreed or any Subsidiary of Tabreed or (at the direction or request of or pursuant to any arrangements with Tabreed or any Subsidiary of Tabreed) any other company, person or entity (otherwise than as mentioned in sub-paragraph (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Certificates) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Shares, and the consideration per Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant) (or, if that is not a Trading Day, the immediately preceding Trading Day), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Shares which have been issued, purchased or acquired by Tabreed or any Subsidiary of Tabreed (or at the direction or request or pursuant to any arrangements with Tabreed or any Subsidiary of Tabreed) for the purposes of or in connection with such issue, less the number of such Shares so issued, purchased or acquired);

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this sub-paragraph, the "Specified Date") such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

(viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Certificates) as are mentioned in sub-paragraph (b)(vi) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the proposals for such modification (or, if that is not a Trading Day, the immediately preceding Trading Day), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Shares which have been issued, purchased or acquired by Tabreed or any Subsidiary of Tabreed (or at the direction or request or pursuant to any arrangements with Tabreed or any Subsidiary of Tabreed) for the purposes of or in connection with such issue, less the number of such Shares so issued, purchased or acquired);

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and

C is the maximum number of Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Expert shall consider appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (b)(vi) above;

provided that if at the time of such modification (as used in this sub-paragraph, the "Specified Date") such number of Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this paragraph, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

(ix) If and whenever Tabreed or any Subsidiary of Tabreed or (at the direction or request of or pursuant to any arrangements with Tabreed or any Subsidiary of Tabreed) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Exchange Price falls to be adjusted under sub-paragraphs (i) — (ix) of this Condition 6.4(b) (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Share on the relevant Trading Day) or under sub-paragraph (b)(iii) above) the

Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the making of such offer by the following fraction:

$$\frac{A-B}{A}$$

where:

A is the Current Market Price of one Share on the Trading Day immediately preceding the date on which the terms of such offer are first publicly announced; and

B is the Fair Market Value on the date of such announcement (or, if that is not a Trading Day, the immediately preceding Trading Day) of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights on the Exchange.

(x) If the Issuer (after consultation with Tabreed) determines that:

(a) an adjustment should be made to the Exchange Price as a result of one or more events or circumstances not referred to above in this Condition 6.4(b) (even if the relevant events or circumstances are specifically excluded from the operation of sub-paragraphs (i) — (ix) of this Condition 6.4(b)); or

(b) more than one event which gives rise or may give rise to an adjustment to the Exchange Price has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result; or

(c) one event which gives rise or may give rise to more than one adjustment to the Exchange Price has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

the Issuer shall, at its own expense and acting reasonably, request an Expert to determine, as soon as practicable, what adjustment (if any) to the Exchange Price is fair and reasonable to take account of such event(s) or circumstance(s) and the date on which such adjustment should take effect in accordance with such determination.

(c) **Minor Adjustments and No Adjustments**

On any adjustment of the Exchange Price, the resultant Exchange Price shall be rounded up to the nearest four decimal places. No adjustment shall be made to the Exchange Price where such adjustment (rounded up if applicable) would be less than one per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and any amount by which the Exchange Price has been rounded up, shall be carried forward and taken into account in any subsequent adjustment but such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

No adjustment shall be made to the Exchange Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees or former employees (including directors holding or formerly holding executive office) of Tabreed or any Subsidiary of Tabreed or any associated company of Tabreed pursuant to any employees' share scheme or plan (including a dividend reinvestment plan).

(d) **Adjustments for Redemption near a record date**

If and whenever the Exchange Price is to be adjusted pursuant to any of Condition 6.4(b) (i) — (x) and the Notification Date or the date of delivery of an Exercise Notice in relation to any Certificate is either:

(i) after the record date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but before the relevant adjustment becomes effective under the relevant Condition; or

(ii) before the record date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but in circumstances where the relevant Certificateholder is unable, by the relevant record date, to become duly entitled to the Shares for the purpose of receiving the issue, distribution, grant or offer as is mentioned in the relevant Condition,

the rights attaching to the relevant Certificate (a "Qualifying Certificate") shall be subject to adjustment in accordance with this Condition 6.4(d). The Issuer shall procure that the Calculation Agent and the Trustee (or Delegate, as the case may be, pursuant to the Declaration of Trust) are promptly notified of any such issue, distribution, grant or offer and the relevant record date referred to in this Condition 6.4(d).

Upon the relevant adjustment becoming effective under the relevant Condition, the Issuer shall procure that there shall be paid an additional amount (the "Additional Cash Amount") to holders of Qualifying Certificates in respect of such adjustment equal to the product of (1) the number of Notional Shares (as defined below), and (2) the Redemption Reference Price.

If an Additional Cash Amount is payable, the relevant Additional Cash Amount will be paid not later than four Business Days following the date on which the relevant adjustment becomes effective under the relevant Condition. The relevant Additional Cash Amount payable shall be distributed *pro rata* amongst the holders of Qualifying Certificates. The Calculation Agent will calculate the amount payable in respect of any Qualifying Certificate by multiplying the Additional Cash Amount by a fraction of which the numerator is the face amount of the relevant Qualifying Certificate and the denominator is the aggregate face amount of all Qualifying Certificates in respect of the relevant adjustment and rounding the resultant figure to the nearest AED0.01, AED0.005 being rounded upwards.

For the purpose of the foregoing:

"Notional Shares" means the difference between (i) the number of Shares that would need to have been issued to holders of Qualifying Certificates in accordance with the instructions contained in the relevant Exercise Notices (subject to any applicable laws or other regulations) on redemption of such Certificates, if the relevant adjustment to the Exchange Price had in fact been made and become effective immediately before the relevant Notification Dates, and (ii) the number of Shares that would be issued to holders of Qualifying Certificates in accordance with the instructions contained in the relevant Exercise Notices (subject to any applicable laws or other regulations).

(e) **Notice of adjustment to Exchange Price**

The Issuer shall give notice to the Delegate, the Principal Paying and Exchange Agent, the Calculation Agent and to the Certificateholders in accordance with Condition 18 (*Notices*) of any change (or, at the Issuer's discretion, any prospective change) in the Exchange Price as soon as reasonably practicable following such change (or, if the notice is given in respect of a prospective change, at such time as the Issuer shall determine), including the Exchange Price following such change.

(f) **No duty to monitor**

Neither the Calculation Agent nor the Delegate shall be under any duty to monitor or make enquiries as to whether or not any event or circumstance which gives rise or may give rise to any adjustment pursuant to this Condition 6.4 has occurred or may occur and will not be responsible to the Certificateholders for any loss arising from not so doing.

The Delegate and/or the Calculation Agent shall be entitled to request the advice of an Expert if any doubt shall arise as to (i) whether or not any event or circumstance which gives rise, or may give rise, to any adjustment pursuant to this Condition 6.4 has occurred or may occur, or (ii) any appropriate adjustment to the Exchange Price. A certificate from the relevant Expert as to whether or not any such event or circumstance has or may occur and/or the required adjustment to the Exchange Price shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Delegate and the Certificateholders.

6.5 Physical Settlement

Physical Settlement by way of delivery of Shares ("Physical Settlement") applies on each of the Maturity Date, a Change of Control Exercise Date, a Tax Exchange Date, a redemption following a

Dissolution Event (other than in respect of an Insolvency Dissolution Event) (each a "Redemption Date"), and:

(a) the relevant Certificates shall, subject to Condition 6.6 (*Foreign Ownership*), Condition 6.9 (*Disruption Event*) and Condition 6.11 (*Inability to Deliver*), be redeemed in full by the delivery by, or on behalf of, the Issuer to the Exercising Certificateholder on a Redemption Date or otherwise as prescribed in these Conditions, of the number of Shares specified by Condition 6.1 (*Mandatory redemption on the Maturity Date*), Condition 6.2 (*Voluntary Exchange right following a Change of Control*) or Condition 7.1 *(Exchange for Taxation Reasons)*, as the case may be;

(b) the Issuer shall procure that the holders of such Shares will be treated by Tabreed as Shareholders for all purposes with effect from and including the relevant Redemption Date, and all Shares issued upon early redemption or redemption of any Certificate will:

    (i) rank *pari passu* in respect of Distributions declared, paid or made, or rights granted, with all other Shares in issue on the relevant Redemption Date, except that such Shares will not rank for any Distribution declared, paid or made on, or rights granted in respect of, the Shares for which the record date precedes the relevant Redemption Date; and

    (ii) rank *pari passu* in respect of Voting Rights with all other Shares in issue on the relevant Redemption Date, except that they will not rank for any Voting Rights where the entitlement to Voting Rights accrues to Shareholders by reference to a record date which precedes the relevant Redemption Date;

(c) Shares to be issued on any Redemption Date will be delivered in uncertificated form through the Exchange's applicable clearing system (which, as at the Closing Date, shall be the Depository, Clearing and Settlement Department of the Dubai Financial Market) unless, at the time of issue, the Shares are not capable of delivery through the Exchange's applicable clearing system, in which case they will be delivered in certificated form. Where Shares are to be issued through the Exchange's applicable clearing system, they will be delivered to the account specified by the relevant Certificateholder in the relevant Exercise Notice.

    Where Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the relevant Certificateholder) to the relevant Certificateholder or as it may direct in the relevant Exercise Notice.

The Issuer shall take all necessary steps to procure that Shares are issued and delivered within 25 Trading Days of the relevant Notification Date (the "Delivery Date").

In view of the requirements under the laws of the Emirate of Abu Dhabi and the applicable federal laws of the United Arab Emirates for completing various formalities required in connection with an issue of share capital, Certificateholders should be aware that it may take at least 25 Trading Days following the service of an Exercise Notice for newly issued Shares and/or Dividend Shares (if any) to be delivered to the relevant Certificateholder. However, there can be no assurances that such formalities will be completed prior to the relevant Redemption Date or at all. The consequences of any inability to deliver Shares and/or Dividend Shares (if any) are set out in Condition 6.6 (Foreign Ownership), Condition 6.9 (Disruption Event) and Condition 6.11 (Inability to Deliver).

6.6 Foreign Ownership

(a) Where Shares and/or Dividend Shares (if any) are due to be issued to Non-GCC Certificateholders pursuant to these Conditions, the Issuer shall procure that the Principal Paying and Exchange Agent and the Calculation Agent are notified on or before the Foreign Ownership Calculation Date of the following information:

    (i) the proportion and number of Shares then in issue held by Non-GCC Persons; and

    (ii) if the Due Shares were (but for this Condition 6.6) to be issued, whether, in the opinion of the Issuer (acting in accordance with information provided to it by Tabreed), such issue would breach any applicable Foreign Ownership Restrictions and, if applicable, the extent to which such Foreign Ownership Restrictions would be breached.

(b) If, in the opinion of Tabreed, a breach of the applicable Foreign Ownership Restrictions would be effected by the issue of any Due Shares, the Calculation Agent shall, provided that it has received the information described in Condition 6.6(a), calculate and notify the Issuer, Tabreed, the Principal Paying and Exchange Agent and the Delegate on the Business Day immediately following the relevant Foreign Ownership Calculation Date of the number of Deliverable Shares.

(c) The Issuer or Tabreed shall no later than the second Business Day following the Foreign Ownership Calculation Date give notice to each Non-GCC Certificateholder:

(i) whether applicable Foreign Ownership Restrictions will prevent such Non-GCC Certificateholder from receiving its full entitlement of Shares and/or Dividend Shares (if any); and

(ii) if so, the number of Shares and/or Dividend Shares (if any) that are due to be issued to such Non-GCC Certificateholder on the corresponding Redemption Date (with the balance of such Non-GCC Certificateholder's interests in the Certificates being paid, provided that the Subordination Conditions have been satisfied, by way of a payment of the Foreign Ownership Amount).

Tabreed shall be solely responsible for determining whether any issue of Shares and/or Dividend Shares (if any) will breach any applicable Foreign Ownership Restrictions. Any calculation by the Calculation Agent pursuant to Condition 6.6(b) will be made in accordance with the Agency Agreement based on information provided by (or on behalf of) the Issuer to the Calculation Agent. Any determination provided by the Issuer to the Calculation Agent as to whether the issue of the Deliverable Shares would effect any breach of the applicable Foreign Ownership Restrictions shall be conclusive and binding upon the Agents and the Certificateholders.

6.7 Shares

Tabreed has covenanted in the Purchase Undertaking, *inter alia*, that all Shares and/or Dividend Shares (if any) delivered under these Conditions shall:

(a) be admitted to listing and freely tradeable (to the extent permitted by the Exchange) on the Exchange and be in compliance with all listing and admission requirements of such Exchange;

(b) not be issued in violation of the pre-emptive or priority rights of any holder of any other shares issued by Tabreed;

(c) be duly and validly authorised, fully-paid and free from any liens, charges or encumbrances, and not subject to calls for further funds; and

(d) subject as provided in Condition 6.5 (*Physical Settlement*), rank *pari passu* with the outstanding ordinary shares in the capital of Tabreed in issue on the relevant Redemption Date,

and, in each case, there will be no restrictions upon the voting or transfer of any Shares and/or Dividend Shares (if any) unless any such restriction on transfer is imposed or required by the mandatory rules of the Exchange upon which the Shares are listed or by any laws, regulations and directives applicable to the Shares.

6.8 Exercise Notice and Preconditions to the Delivery of Shares

As preconditions to the delivery of Shares and/or Dividend Shares (if any) by way of Physical Settlement on any Redemption Date each Certificateholder shall be required, within the relevant notice periods prescribed by Condition 6.1 (*Mandatory Redemption on the Maturity Date*), Condition 6.2 (*Voluntary Exchange right following a Change of Control*) or Condition 7 (*Tax Exchange*), as applicable, to:

(a) deliver the Relevant Certificate(s) and a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent;

(b) Any Exercise Notice shall include:

(i) the name and address of the Certificateholder;

(ii) a certification, signed by the Certificateholder and, if different, the beneficial holder, stating whether such person is a GCC Person or a Non-GCC Person;

(iii) the aggregate face amount of Certificates being redeemed;

(iv) details of the Certificateholder's account at Euroclear or Clearstream, Luxembourg to be debited with such Certificates and an irrevocable authorisation to Euroclear or Clearstream, Luxembourg to effect such debit;

(v) DFM investor number;

(vi) passport number (in the case of individuals);

(vii) trade license number or registered company number (in the case of legal persons only);

(viii) nationality;

(ix) a certification of non-US ownership confirming that the Certificateholder who has the beneficial interest in the relevant Certificate is not in the United States (within the meaning of Regulation S);

(x) a confirmation that the Certificateholder will pay directly to the relevant authorities any applicable Exchange Expenses arising in connection with any issue of Shares and/or Dividend Shares (if any) to it on the relevant date;

(xi) the details, name and address of the beneficial holder to whom Shares are to be delivered (if different from (i) above);

(xii) a certification that, immediately after receipt by it of the Shares and/or Dividend Shares (if any) to be delivered by way of Physical Settlement following the relevant Redemption Date, it will not hold Shares and/or Dividend Shares (if any) representing more than 20 per cent. of the outstanding ordinary share capital of Tabreed or, if it does hold Shares and/or Dividend Shares (if any) representing more than 20 per cent. of the outstanding ordinary share capital of Tabreed, has the necessary UAE Securities and Commodities Authority consent to hold such Shares and/or Dividend Shares (if any);

(xiii) the number and account name of the security account(s) capable of receiving Shares and/or Dividend Shares (if any) at the Exchange's applicable clearing system (which, as of the Closing Date, shall be the Depository, Clearing and Settlement Department of the Dubai Financial Market) through which the Shares and/or Dividend Shares (if any) are cleared and which is to be credited with any such Shares and/or Dividend Shares (if any) (together with any other information reasonably required by the Principal Paying and Exchange Agent in order to effect the delivery of the Shares and/or Dividend Shares (if any)) or, if at the time of delivery, the Shares and/or Dividend Shares (if any) are not capable of delivery through the applicable Exchange's clearing system, the address to which any relevant certificates are to be sent, uninsured and at the risk of the relevant Certificateholder; and

(xiv) confirmation that such Certificateholder authorises the production of such Exercise Notice in any applicable administrative proceedings.

(c) If:

(i) the Exercise Notice and the relevant Certificate or Certificates are not delivered by any Certificateholder to the specified office of a Paying and Exchange Agent outside the United States; or

(ii) the Exercise Notice is, in the opinion of the Principal Paying and Exchange Agent, incomplete or incorrectly completed,

then the Exercise Notice shall be deemed not to have been properly served provided always that, in the case of Condition 6.8(c)(ii), an Exercise Notice shall be deemed to be duly served if Tabreed so determines (notwithstanding the relevant incomplete or incorrect information).

(d) Once delivered to a Paying and Exchange Agent, an Exercise Notice will be irrevocable. Any determination as to whether any purported Exercise Notice has been duly completed and properly delivered shall be made by the Paying and Exchange Agent (subject to the determination of Tabreed as contemplated by Condition 6.8(c)) and shall, save in the case of a manifest error, be conclusive and binding on the Issuer, Tabreed, the Trustee, the Delegate, the Paying and Exchange Agents and the relevant Certificateholder. Each Certificateholder shall be solely responsible for all fees, costs and expenses incurred by it in opening and/or maintaining the relevant security account(s) into which Shares and/or Dividend Shares (if any) are to be issued on any Redemption Date.

(e) The later of the date on which the Exercise Notice is received by the Issuer and the Principal Paying and Exchange Agent and the date on which the preconditions set out above are satisfied shall be the "Notification Date".

6.9 Disruption Event

If a Disruption Event occurs such that delivery of any Shares and/or Dividend Shares (if any) cannot be effected pursuant to these Conditions, then solely for the purposes of this Condition 6.9, delivery of such Shares and/or Dividend Shares (if any) will be postponed until the first succeeding Business Day on which delivery can take place through a national or international settlement system or in any other commercially reasonable manner.

6.10 Fractions

No fraction of a Share and/or Dividend Shares (if any) shall be issued on redemption of the Certificates, and any such fraction will be rounded up to the nearest whole multiple of a Share and/or Dividend Shares (if any). However, if more than one Certificate is to be redeemed at any one time by the same Certificateholder such that the Shares and/or Dividend Shares (if any) to be issued upon redemption thereof are to be registered in the same name, the number of Shares and/or Dividend Shares (if any) which shall be issued upon redemption thereof shall be calculated on the basis of the aggregate face amount of the Certificates so to be redeemed.

6.11 Inability to Deliver

If:

(a) at any time when the issue to any Certificateholder of Shares and/or Dividend Shares (if any) is required:

(i) such issue would be impossible or unlawful (whether in whole or part) under the laws of any applicable jurisdiction or contrary to any official declaration, order, decree directive or regulation of any government or governmental body or court having jurisdiction over either the Issuer or Tabreed; or

(ii) the Issuer or Tabreed is otherwise prohibited or restricted by the applicable rules and regulations of the Exchange from delivering all or part of the Shares and/or Dividend Shares (if any) to Certificateholders on the corresponding Redemption Date, in each case, whether as a consequence of (1) a Non-GCC Certificateholder being prohibited or restricted from receiving Shares and/or Dividend Shares (if any), (2) a failure of any applicable regulatory or governmental body to grant any required consents or approvals prior to the corresponding relevant Redemption Date or at all, (3) the failure to obtain the requisite Exchange consents or approvals prior to the corresponding relevant Redemption Date or at all or (4) any other reason; or

(b) the Issuer has failed, or is otherwise unable, to deliver and issue all or part of the Shares and/or Dividend Shares (if any) to any Certificateholder on the corresponding Redemption Date,

the Issuer shall pay the Foreign Ownership Amount in lieu of delivering such Non-Deliverable Shares in cash no later than the relevant date prescribed by these Conditions.

7 Tax Exchange

7.1 Exchange for Taxation Reasons

(a) **Issuer's Tax Exchange right**

At any time the Issuer may (subject to Condition 7.1(b)), having given not less than 60 Trading Days' notice to the Certificateholders (which notice shall be irrevocable and shall contain the same information as need be included on a Notice of Mandatory Redemption pursuant to Condition 6.1.2 above) redeem all, and not some only, of the Certificates on the Tax Exchange Date:

(i) if (1) the Issuer has or will become obliged to pay additional amounts pursuant to Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 April 2008, and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) if (1) the Issuer has received notice from Tabreed that it has or will become obliged to pay additional amounts pursuant to the terms of the Lease Agreement to ensure that the funds available to the Trustee are sufficient to pay the relevant Annual Distribution Amount as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 April 2008, and (2) such obligation cannot be avoided by Tabreed taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which, in the case of Condition 7.1(a)(i), the Issuer would be obliged to pay such additional amounts were a payment in respect of the Certificates then due and, in the case of Condition 7.1(a)(ii), Tabreed would be obliged to pay such additional amounts were a payment to the Issuer under the Lease Agreement then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Delegate (x) a certificate signed by two directors of the Issuer (in the case of Condition 7.1(a)(i)), or Tabreed (in the case of Condition 7.1(a)(ii)) stating that the obligation(s) referred to in (i) or (ii) above cannot be avoided by the Issuer or, as the case may be, Tabreed (having taken reasonable measures available to it) and (y) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Delegate shall (without any investigation required of it) accept such certificate and opinion as sufficient evidence of the conditions set out in (i) and (ii) above without liability to any person in which event it shall be conclusive and binding on the Certificateholders.

Upon the Tax Exchange Date, each Certificate will, subject to Condition 7.1(b) below, be mandatorily redeemed against:

(a) delivery of the number of Shares set out in this Condition 7.1 below by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*) (or, subject to the satisfaction of the Subordination Conditions, against payment of the Foreign Ownership Amount, if applicable) subject to completion by each Certificateholder of an Exercise Notice and satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) and subject further to Condition 6.11 (*Inability to Deliver*);

(b) subject to the satisfaction of the Subordination Conditions, the payment of any outstanding accrued Annual Distribution Amounts from the latest Annual Distribution Date up to (but excluding) the Tax Exchange Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

In order for Shares and/or Dividend Shares (if any) to be delivered on or after the Tax Exchange Date, a Certificateholder shall deliver a duly completed and signed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Tax Exchange Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*).

The number of Shares to be issued to a Certificateholder on the Tax Exchange Date in respect of any Relevant Certificates shall be determined by dividing the then aggregate outstanding face amount of such Relevant Certificates by the Maximum Exchange Ratio in effect on the Tax Exchange Date.

(b) **Certificateholders' right not to be redeemed and/or failure to deliver a duly completed Exercise Notice**

If a Certificateholder does not, for whatever reason, deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 32 Trading Days prior to the Tax Exchange Date in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*), such Certificateholder shall not be able to exchange such Certificate(s) for Shares and/or Dividend Shares (if any) in accordance with this Condition 7.1 and the provisions of Condition 9 (*Taxation*) shall not thereafter apply in respect of any payment of any amounts to be made in respect of such Certificate(s) whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 (*Taxation*) and payment of all amounts shall thereafter be made subject to the deduction or withholding of the taxation required to be withheld or deducted by the Relevant Jurisdiction or any authority thereof or therein having power to tax.

7.2 Cancellation

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

8 Payments

8.1 Payments in Respect of Certificates

Subject to Condition 8.2, payment of any Supplementary Amount, any Dividend Amounts or Foreign Ownership Amount will be made on the relevant due date for payment by the Principal Paying and Exchange Agent by wire transfer in same day funds to the registered account of each Certificateholder or by a dirham cheque drawn on a bank that processes payments in dirhams and mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of any Foreign Ownership Amount due will only be made against surrender of the relevant Certificate at the specified office of any of the Paying and Exchange Agents.

Subject to Condition 8.2, payment of any Annual Distribution Amount will be made on the relevant due date for payment by the Principal Paying and Exchange Agent by wire transfer in same day funds to the Certificateholder shown on the Register at the close of business on the seventh day before the Annual Distribution Date. Such payment will be made to the registered account of each Certificateholder or by a dirham cheque drawn on a bank that processes payments in dirhams and mailed to the registered address of the Certificateholder if it does not have a registered account.

For the purposes of this Condition 8, a Certificateholder's "registered account" means the dirham account maintained by or on behalf of it with a bank that processes payments in dirhams, details of which appear on the Register at the close of business on the second Business Day before the due date for payment and a Certificateholder's "registered address" means its address appearing on the Register at that time.

8.2 Payments subject to applicable laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

8.3 Payment only on a Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed in each case by the Principal Paying and Exchange Agent, on the date for payment or, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying and Exchange Agent (if surrender is required under these Conditions).

Certificateholders will not be entitled to any Annual Distribution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 8.3 arrives after the due date for payment.

8.4 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that it will ensure that it maintains a Paying and Exchange Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 18 (*Notices*).

8.5 Calculation Agent

(a) Appointment

The Issuer shall procure that so long as any of the Certificates remains outstanding there shall at all times be a Calculation Agent to undertake all necessary calculations and/or determinations required pursuant to the Conditions and the Transaction Documents for the purposes of calculating the relevant amounts due to be paid and/or delivered on the Certificates provided that the Issuer may terminate the appointment of such Calculation Agent in accordance with the provisions of the Agency Agreement. Unless otherwise specified, all such calculations shall be undertaken in respect of each AED10,000 in face amount of Certificates. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the amount due to be paid or delivered on any Annual Distribution Date or Redemption Date, the Issuer shall appoint the London office of another major bank engaged in the London interbank market to act in its place. If the Issuer shall fail, within a reasonable time, to appoint any such replacement, the Delegate shall be entitled (but not obliged) to make such appointment. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

(b) Determinations binding

Any determination or calculation made by the Calculation Agent shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Delegate, Tabreed, the Certificateholders and the other Agents. The Calculation Agent may consult on any matter with any legal or other adviser selected by it and it shall not be liable in respect of anything done or omitted to be done relating to that matter in good faith in accordance with that adviser's opinion.

9 Taxation

All payments in respect of the Certificates shall be made in full without withholding or deduction for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of a Relevant Jurisdiction ("Taxes"), unless the withholding or deduction of such Taxes is required by law. In such event, the Issuer shall be required to pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates (if no such withholding or deduction had been made or required to be made) is received by the parties entitled thereto, except that no such additional amount shall be payable by the Issuer in relation to any payment in respect of any Certificate:

(a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the due date for payment of the Foreign Ownership Amount except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying and Exchange Agent in a Member State of the European Union; or

(e) in respect of which the holder has failed to (or has decided not to) deliver a duly completed Exercise Notice under Condition 7.1(b) (*Certificateholders' right not to be redeemed and/or failure to deliver a duly completed Exercise Notice*) above.

10 Prescription

Claims in respect of amounts due in respect of the Certificates will become prescribed unless made within periods of 10 years (in the case of any Foreign Ownership Amount) and five years (in the case of Annual Distribution Amounts) from the Relevant Date in respect of the Certificates, subject to the provisions of Condition 9 (*Taxation*).

11 Dissolution of Trust

Unless the aggregate principal amount of Certificates are previously redeemed in full (and the Trust is dissolved after such redemption) following (i) a Dissolution Event, (ii) Voluntary Exchange following a Change of Control pursuant to Condition 6.2 (*Voluntary Exchange right following a Change of Control*), or (iii) redemption for taxation reasons pursuant to Condition 7.1 (*Tax Exchange*), the Certificates will be redeemed in full by the Issuer on the Maturity Date in the manner provided in Condition 6.1 (*Mandatory Redemption on the Maturity Date*) and the Trust will be dissolved.

12 Dissolution Events

12.1 Dissolution Events

The occurrence of any of the following events shall constitute a "Dissolution Event":

(i) a default is made in the payment of any Annual Distribution Amount or any Foreign Ownership Amount on the date fixed for payment thereof or any other amount due and payable hereunder, or Shares are not issued on the date fixed for delivery thereof (save, in the case of Non-Deliverable Shares only, where the Issuer has paid the Foreign Ownership Amount on or within three Business Days of the relevant Redemption Date in lieu of delivering the Non-Deliverable Shares), and such default continues unremedied for a period of three Business Days; or

(ii) either (A) an administrator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer and/or Tabreed is appointed (or application for any such appointment is made); (B) the Issuer and/or Tabreed takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors; (C) the Issuer and/or Tabreed ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or (D) any event occurs which under the laws of the Cayman Islands or the UAE, as the case may be, has an analogous effect to any of the events referred to in (A) to (C) above; or

(iii) Tabreed is declared insolvent by a court of competent jurisdiction in the UAE, such event to constitute an "Insolvency Dissolution Event".

Upon the occurrence of a Dissolution Event, the Issuer shall give notice (a "Dissolution Event Notice") of the occurrence of such Dissolution Event to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*). A Dissolution Event Notice shall contain the same information as is required to be included on a Notice of Mandatory Redemption pursuant to Condition 6.1.2.

12.2 Dissolution Event (other than an Insolvency Dissolution Event)

Upon the occurrence of a Dissolution Event (other than an Insolvency Dissolution Event), following the issuance of a notice pursuant to the preceding paragraph, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate face amount of such Certificates then outstanding, or if so directed by an Extraordinary Resolution of the holders of the Certificates shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer and to all the holders of such Certificates in accordance with Condition 18 (*Notices*) requiring the Issuer to mandatorily redeem each Certificate within 45 Trading Days after the occurrence of such Dissolution Event (other than an Insolvency Dissolution Event) by:

(a) delivery of Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*);

(b) subject to the satisfaction of the Subordination Conditions, the payment of any Annual Distribution Amounts accrued from the latest Annual Distribution Date to (but excluding) the Redemption Date;

(c) subject to the satisfaction of the Subordination Conditions, the payment of the Supplementary Amount;

(d) delivery of any Dividend Shares by way of Physical Settlement in accordance with Condition 6.5 (*Physical Settlement*); and

(e) subject to the satisfaction of the Subordination Conditions, the payment of any Dividend Amounts.

and the Certificates shall, accordingly, become redeemable in the manner stipulated in the Delegate's notice.

Notwithstanding the above, the delivery of Shares and any Dividend Shares and the payment of any Annual Distribution Amounts and the Supplementary Amount and any Dividend Amounts pursuant to Condition 12(i) or Condition 12(ii) above is expressly subject to completion of an Exercise Notice within the notice period specified below in this Condition 12 and, in relation to the delivery of Shares only, the satisfaction of all of the preconditions to delivery of Shares as set out in Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*) and subject further to Condition 6.11 (*Inability to Deliver*).

In order for the Certificates to be redeemed within 45 Trading Days after notice has been given of a Dissolution Event (other than an Insolvency Dissolution Event), a Certificateholder shall deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent within 15 Trading Days after notice has been given of a Dissolution Event (other than an Insolvency Dissolution Event) in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*).

If a Certificateholder does not, for whatever reason, deliver a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent at least 15 Trading Days after a Dissolution Event (other than an Insolvency Dissolution Event), in accordance with Condition 6.8 (*Exercise Notice and Preconditions to the Delivery of Shares*), such Certificateholder shall have until the 60th Trading Day after notice has been given of a Dissolution Event (other than an Insolvency Dissolution Event) to deliver such a duly completed Exercise Notice, and such Certificate will be mandatorily redeemed in accordance with (a) to (c) above within 30 Trading Days after the delivery of such a duly completed Exercise Notice to the Issuer and the Principal Paying and Exchange Agent. **The Issuer will have no obligations in respect of any Certificateholder who fails to complete an Exercise Notice within the relevant period prescribed by these Conditions.**

The number of Shares to be issued to an Exercising Certificateholder on the occurrence of a Dissolution Event (other than an Insolvency Dissolution Event) in respect of any Relevant Certificates shall be determined by dividing the then aggregate outstanding face amount of such Relevant Certificates by the Maximum Exchange Ratio in effect on the occurrence of a Dissolution Event (other than an Insolvency Dissolution Event).

12.3 Insolvency Dissolution Event

Upon the occurrence of an Insolvency Dissolution Event, Tabreed will be unable to deliver Shares to Certificateholders. In such circumstances, following the delivery of a duly completed Exercise Notice by the Certificateholder(s) in the same manner as prescribed in respect of Condition 12(i) and Condition 12(ii) above, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. in aggregate face amount of such Certificates then outstanding, or if so directed by an Extraordinary Resolution of the holders of the Certificates shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer and to all the holders of such Certificates in accordance with Condition 18 (*Notices*) that, subject to satisfaction of the Subordination Conditions, the Certificates are immediately due and payable at their principal amount, together with accrued Annual Distribution Amounts up to (but excluding) the date specified in such notice (the "Dissolution Redemption Date") and any Dividend Amounts and the Certificates shall, accordingly, forthwith become immediately due and payable as stipulated in the Delegate's notice.

12.4 Winding-up: Subordination

On the occurrence of any Dissolution Event pursuant to this Condition 12, the Delegate may also institute proceedings for the winding-up of Tabreed and/or prove in the winding-up of Tabreed and/or claim in the liquidation of Tabreed in respect of any Relevant Obligations.

The rights of the Trustee against Tabreed are subordinated in right of payment to the claims of all Senior Creditors (as defined in the Purchase Undertaking) of Tabreed. Accordingly, payments in respect of the Certificates will be subject to the Subordination Conditions.

Without prejudice to the generality of the foregoing, upon an Insolvency Dissolution Event, the Trustee's claim for an amount owing by Tabreed in respect of any Relevant Obligation is subordinated to the claims of Senior Creditors of Tabreed, in that all claims of Senior Creditors must be paid in full before the such claim is paid.

In the Declaration of Trust, the Trustee has undertaken that it shall not exercise its voting rights (if any) as an unsecured creditor in the winding up or dissolution of Tabreed to defeat the subordination of the Relevant Obligations.

13 Covenants

(a) The Issuer (acting in its capacity as Issuer and Trustee, as the case may be) has covenanted in the Declaration of Trust that, among other things, for so long as any Certificate is outstanding, it shall not: incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) other than those in issue as at the Closing Date or as permitted pursuant to any Transaction Document;

(b) secure any of its present or future indebtedness for borrowed money or any other financing by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law) except pursuant to any Transaction Document;

(c) sell, transfer, assign, participate, exchange, pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its title to any of the Trust Assets or any interest therein except pursuant to any Transaction Document and in accordance with the principles of Sharia'a;

(d) use the proceeds of the issue of the Certificates for any purpose other than as provided for under the Transaction Documents;

(e) subject to Condition 16.2 (*Modification*), amend or agree to any amendment of any of the Transaction Documents to which it is a party or to its constitutional documents;

(f) act as trustee in respect of any trust other than the Trust, or in respect of any parties other than the Certificateholders and/or act as agent for any trust arrangement (other than the Trust);

(g) have any subsidiaries or employees;

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

(i) put to its directors or shareholders any resolution for or appoint any liquidator for its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents and any subscription agreement connected to the issue of the Certificates or engage in any business or activity other than:

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

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

   (iii) such other matters which are incidental thereto.

Tabreed will undertake in the Purchase Undertaking that it will, inter alia, (i) issue, allot and deliver a number of Shares to satisfy all rights of redemption for Shares to Certificateholders who have properly served notices in accordance with these Conditions and (ii) use all reasonable endeavours to maintain *the listing of the Shares on the Exchange. Investors should note, however, the italicised text at the end of Condition 6.5 (Physical Settlement) in this regard.*

14 Enforcement and Exercise of Rights

14.1 Actions by Delegate

Subject to Condition 14.2 below, upon the occurrence of a Dissolution Event, to the extent that the amounts payable in respect of the Certificates have not been paid and/or delivered in full, the Delegate shall (acting for the benefit of the Certificateholders) take one or more of the following steps:

(a) enforce the provisions of the Purchase Undertaking and/or the Lease Agreement against Tabreed; and

(b) take such other steps as the Delegate may consider necessary to recover amounts due and/or deliverable to the Certificateholders.

Notwithstanding the foregoing, the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to the Issuer and/or Tabreed to enforce their respective obligations under the Transaction Documents, the Conditions and the Certificates.

14.2 Trustee and Delegate not bound to act

Neither the Trustee nor the Delegate shall be bound to take any action in relation to the Trust Assets or any Dissolution Event or to take any proceedings or any other steps under these Conditions or the Transaction Documents unless required to do so by either (a) the Delegate (in the case of the Trustee) or (b) subject to Condition 14.3, either (i) by an Extraordinary Resolution or (ii) in writing by Certificateholders holding at least 25 per cent. in aggregate face amount of the Certificates then outstanding, and (in the case of (b)) then only if it shall be indemnified and/or secured to its satisfaction against all Liability to which it may render itself liable or which it may incur by so doing.

14.3 Certificateholders not entitled to proceed directly

No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim, against the Issuer or Tabreed arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless (i) the Delegate has resigned its appointment in accordance with the terms of the Declaration of Trust and (ii) no successor or replacement has been appointed in its place (in accordance with the terms of the Declaration of Trust). Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking, and the only right of the Trustee, the Delegate and Certificateholders against Tabreed shall be to enforce the obligation of Tabreed to issue the relevant Shares under the Purchase Undertaking and/or pay the Foreign Ownership Amount and to enforce the obligation of Tabreed to pay Annual Distribution Amounts under the Lease Agreement and/or any other amounts payable under any of the Transaction Documents or under these Conditions.

14.4 Satisfaction of obligations of Trustee and Delegate

Conditions 14.1, 14.2 and 14.3 are subject to this Condition 14.4. After enforcing and distributing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 4.2 (*Application of Proceeds from Trust Assets*), the obligations of the Delegate and the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any steps against the Delegate or the Trustee (and/or any of its directors) to recover any sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer or the Trustee, nor shall any of them have any claim in respect of the Trust Assets of any other trust established by the Trustee.

14.5 Appointment of Delegate as Trustee Agent

The Trustee may, whenever it thinks it expedient, including for the purposes of local law, appoint the Delegate as its agent to perform all or any of the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents. The Trustee undertakes that it shall promptly do whatever the Delegate requires in order for it to act as the agent of the Trustee in accordance with this Clause including, but not limited to, executing any necessary power of attorney, corporate authorisation or assignment, the giving of any notice, order or direction, or the provision of copies of the Transaction Documents.

15 Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified offices of the Replacement Agents upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered or an indemnity given before replacements will be issued.

16 Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination

16.1 Meetings of Certificateholders

The Delegate and/or the Trustee may convene meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust or any other Transaction Documents. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing more than half in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting two or more Certificateholders, proxies or representatives present whatever the face amount of the Certificates held or represented by him or them. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the persons voting on a show of hands or, if a poll is demanded, a majority of not less than three quarters of the votes cast on such poll. An Extraordinary Resolution duly passed at any meeting of Certificateholders will be binding on all holders of the Certificates, whether or not they are present at the meeting and whether or not voting.

16.2 Modification

The Trustee or, as the case may be, the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (other than in the case of a Reserved Matter (as defined in the Declaration of Trust)) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust, or determine, without any such consent as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such, which in any such case is not, in the opinion of the Trustee or, as the case may be, the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Trustee or, as the case may be, the Delegate, is of a formal, minor or technical nature or to correct a manifest error or an error which is, to the satisfaction of the Trustee or, as the case may be, the Delegate, proven.

16.3 Entitlement of Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee or, as the case may be, the Delegate (acting on behalf of the Certificateholders) shall have regard to the general interests of Certificateholders as a class but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders or groups of Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and neither the Trustee nor the Delegate shall be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 9 (*Taxation*).

16.4 Determinations etc. binding

Any modification, abrogation, waiver, authorisation or determination shall be binding on Certificateholders and any modification, abrogation, waiver, authorisation or determination shall be notified by the Issuer (unless the Delegate otherwise agrees) to Certificateholders as soon as practicable thereafter in accordance with Condition 18 (*Notices*).

17 Indemnification and Liability of the Trustee and the Delegate

17.1 Indemnification of Trustee and Delegate

The Declaration of Trust contains provisions for the indemnification of the Trustee (and/or its directors) and the Delegate, in each case in certain circumstances, and for relief from responsibility, including provisions relieving each of them from taking action (in particular, in connection with the exercise of any of their respective rights in respect of the Trust Assets) unless indemnified and/or secured to its satisfaction. Prior to taking any such action, the Delegate may require that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient to indemnify it and, if such demand is made of the Trustee, the Trustee shall be obliged to make payment of all such sums in full.

Neither the Trustee nor the Delegate shall in any circumstances take any action unless directed to do so either (i) by the Delegate (in the case of the Trustee) or (ii) in accordance with Condition 14 (*Enforcement and Exercise of Rights*), and then (in the case of (ii)) only if the Trustee and/or the Delegate (as the case may be) shall have been indemnified and/or secured to their satisfaction.

17.2 Delegate's rights

The Declaration of Trust also contains provisions pursuant to which no director or officer of the Delegate or of any holding, affiliated or associated company of the Delegate shall be precluded from underwriting the Certificates with or without a commission or other remuneration, or from purchasing or otherwise acquiring, holding, dealing in or disposing of any securities whatsoever or from being interested in any contract or transaction or from accepting and holding the office of trustee or administrator for the holders of any other securities, and in any case neither the Delegate nor any director or officer of the Delegate shall be liable to the Certificateholders for any profit made by it or him thereby or in connection therewith.

17.3 No liability to Certificateholders for payments

Each of the Delegate and the Trustee (solely in its capacity as such) makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Tabreed or the Issuer under any Transaction Document to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payment which should have been made by either of Tabreed or the Issuer, as the case may be, but is not so made, and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or the Declaration of Trust.

17.4 No liability in respect of Trust Assets

The Delegate and the Trustee shall not be liable in respect of any loss or theft of the Trust Assets or any cash or for failure in any obligation to insure the Trust Assets or any cash or for any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee.

17.5 Delegate and Trustee not required to incur any Liability

Nothing contained in any Transaction Document, the Certificates or these Conditions shall require the Delegate or the Trustee to expend or risk its own funds or otherwise incur any Liability in the performance of any of its duties or in the exercise of any of its rights, powers, authorities or discretions if it considers that the repayment of such funds or adequate indemnity against, or security for, such risk or Liability is not assured to it.

18 Notices

18.1 Notices to Certificateholders

All notices to the Certificateholders will be valid if:

(a) published in a daily newspaper (which will be in a leading English language newspaper having general circulation) in the Gulf region approved by the Trustee; or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by air mail at their respective addresses in the Register.

In addition, the Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

18.2 Notices from Certificateholders

Notices to be given by any Certificateholder shall be given in writing and given by lodging the same (together with the relevant Certificates) with the Registrar and any relevant Agent.

19 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20 Governing Law and Submission to Jurisdiction

20.1 Governing Law

The Declaration of Trust, the Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Costs Undertaking and the Certificates are governed by, and will be construed in accordance with, English law. The Istisna'a Agreement, the Service Agency Agreement and the Lease Agreement are governed by, and will be construed in accordance with, UAE law to the extent applicable in the Emirate of Dubai.

20.2 Jurisdiction

The Issuer has in the Declaration of Trust irrevocably and unconditionally agreed for the benefit of the Trustee and Certificateholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Declaration of Trust or the Certificates and that accordingly any suit, action or proceedings arising therefrom or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

The Issuer has in the Declaration of Trust irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

20.3 Process Agent

The Issuer has in the Declaration of Trust irrevocably and unconditionally appointed an agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose. In the event that no such replacement agent for service of process in England has been appointed by the Issuer within 14 days, the Trustee shall have the power to appoint, on behalf of and at the expense of the Issuer, a replacement agent for service of process in England.

21 Definitions and Interpretation

21.1 Definitions

In these Conditions:

"Additional Amount" means an amount equal to the expenses payable by the Issuer under the Service Agency Agreement.

"Additional Cash Amount" means an additional cash amount payable pursuant to Condition 6.4(d).

"Adjustment Event" means an event resulting in an adjustment to the Exchange Price pursuant to Condition 6.4(b).

"AED" mean the United Arab Emirates dirham, being the lawful currency for the time being of the United Arab Emirates.

"Agents" means any of the Paying and Exchange Agents, the Registrar, the Replacement Agent, the Calculation Agent or the Transfer Agents appointed by the Issuer pursuant to the Agency Agreement.

"Aggregate Face Amount" means, at any time, the aggregate face amount of the outstanding Certificates which, for the avoidance of doubt, shall be AED1,700,000,000 on the Closing Date.

"Annual Distribution Amount" means:

(a) in respect of a payment on an Annual Distribution Date or a Redemption Date which is an Annual Distribution Date, an amount equal to the product of (i) the Annual Distribution Rate and (ii) the Aggregate Face Amount of the Certificates outstanding as of the final day of the relevant Annual Distribution Period ("Ordinary Annual Distribution Amount"); and

(b) in respect of a payment on Redemption Date which is not an Annual Distribution Date, an amount equal to the product of (i) the Annual Distribution Rate and (ii) the Aggregate Face Amount of the Certificates to be redeemed on the relevant Redemption Date and (iii) the Day Count Fraction ("Redemption Annual Distribution Amount").

"Annual Distribution Date" means 19 May in each year, commencing on 19 May 2009 up to and including 19 May 2011.

"Annual Distribution Period" means in respect of:

(a) an Ordinary Annual Distribution Amount, the period from and including the Closing Date to but excluding the first Annual Distribution Date and thereafter each successive period from and including an Annual Distribution Date to but excluding the next succeeding Annual Distribution Date; and

(b) a Redemption Annual Distribution Amount, from and including the immediately preceding Annual Distribution Date to but excluding a Redemption Date.

"Annual Distribution Rate" means 7.25 per cent. per annum.

"Assets" means, at any time, all of the Cooling Assets that have been delivered under the Istisna'a Agreement, as may have been substituted from time to time in accordance with the Lease Agreement and which have not been sold to Tabreed prior to such time.

"Base Amount" has the meaning given to it in the Istisna'a Agreement.

"Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and Dubai.

"Calculation Agent" means The Bank of New York.

"Calculation Period" means a period of 10 consecutive Trading Days ending on the Delivery Date or, upon the occurrence of a Dissolution Event (other than an Insolvency Dissolution Event), the relevant Redemption Date.

"Cash Dividend" means (i) any Dividend which is to be paid or made in cash (in whatever currency), and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of "Dividend", and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of "Dividend" shall be treated as being a Non-Cash Dividend.

"Change of Control" occurs when any person acting alone acquires, or persons acting together acquire, Control of Tabreed or is or are considered to Control Tabreed if such person does not, or persons do not have, and would not be deemed to have, Control of Tabreed as at the Closing Date.

"Change of Control Date" means the date of occurrence of a Change of Control or, if later, the date on which notice of such Change of Control is given to the Certificateholders pursuant to Condition 18.

"Change of Control Period" has the meaning set out in Condition 6.2.1.

"Change of Control Exercise Date" means the Business Day on or immediately following the last day of the Change of Control Period.

"Change of Control Exercise Right" has the meaning set out in Condition 6.2.1.

"Closing Date" means 19 May 2008.

"Closing Price" means, with respect to a Trading Day on which the Shares are listed on the Exchange, the closing price of such Shares on the Exchange at the close of such Trading Day (as published by the Exchange). If the Shares are quoted in a currency other than AED, conversions to AED of the Closing Price of the Shares will be made at the Relevant Rate in effect on the relevant Trading Day.

"Control" means (i) the acquisition or holding or legal or beneficial ownership or control directly or indirectly of more than 50 per cent. of the Voting Rights of Tabreed or (ii) the right to appoint and/or remove all or the majority of the members of Tabreed's Board of Directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise.

"Costs Undertaking" means the costs undertaking executed by Tabreed on or prior to the Closing Date.

"Current Market Price" means, in respect of a Share at a particular date, the average of the VWAP of a Share for the five consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said five-Trading Day period the VWAP shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the VWAP shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

(a) if the Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the VWAP on the dates on which the Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of first public announcement of such Dividend (or entitlement); or

(b) if the Shares to be issued or transferred and delivered do rank for the Dividend (or entitlement) in question, the VWAP on the dates on which the Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of first public announcement of such Dividend (or entitlement),

and provided further that if on each of the said five Trading Days the VWAP shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement) the VWAP on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of the first public announcement of such Dividend or entitlement,

and provided further that, if the VWAP of a Share is not available on one or more of the said five Trading Days (disregarding the proviso to the definition of VWAPs), then the average of such VWAPs which are available in that five-Trading Day period shall be used (subject to a minimum of two such prices) and if only one, or no, such VWAP is available in the relevant period the Current Market Price shall be determined in good faith by an Expert.

"Daily Exchange Ratio" for a given Trading Day is determined as follows:

(a) if the Closing Price is less than or equal to the Minimum Exchange Price, the Daily Exchange Ratio shall be equal to the "Maximum Exchange Ratio";

(b) if the Closing Price is greater than or equal to the Maximum Exchange Price, the Daily Exchange Ratio shall be equal to the "Minimum Exchange Ratio"; and

(c) if the Closing Price is greater than the Minimum Exchange Price but less than the Maximum Exchange Price, the Daily Exchange Ratio shall be equal to AED10,000 divided by the Closing Price on such Trading Date.

"Day Count Fraction" means, in relation to an Annual Distribution Period or any other period in respect of which a payment is due to be made, the number of days (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) from and including the first day of that period to but excluding the last day of that period, divided by 360.

"Deliverable Shares" means the number of Shares and Dividend Shares (if any) that may be issued to Non-GCC Certificateholders without breaching the applicable Foreign Ownership Restrictions in accordance with Condition 6.6(b).

"Delivery Date" has the meaning set out in Condition 6.5.

"dirham" or "AED" means United Arab Emirates dirham, being the legal currency for the time being of the United Arab Emirates.

"Dividend" means any dividend or distribution to Shareholders whether of cash, assets or other property and whenever paid or made, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account (and for these purposes a distribution of assets includes without limitation an issue of Shares, or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

(a) where a dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then for the purposes of this definition the dividend in question shall be treated as a Cash Dividend of the greater of (i) such cash amount and (ii) the Current Market Price of such Shares or, as the case may be, Fair Market Value or such other property or assets (as at the date of the first public announcement of such dividend or capitalisation (as the case may be) or if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or transferred and delivered is determined);

(b) any issue of Shares falling within paragraph 6.4(b)(vi) shall be disregarded;

(c) a purchase or redemption or buy back of share capital of Tabreed by Tabreed or any Subsidiary of Tabreed shall not constitute a dividend unless, in the case of a purchase or redemption or buy back of Shares by or on behalf of Tabreed or any of its Subsidiaries, the weighted average price per Share (before expenses) on any one day (a "Specified Share Day") in respect of such purchases or redemptions or buy backs (translated, if not in AED, into AED at the Relevant Rate on such Specified Share Day as determined in good faith by an Expert (or if no such rate is available on such Specified Share Day, the equivalent rate on the immediately preceding date on which such rate is available) exceeds by more than 5 per cent. the average of the closing prices of the Shares on the Exchange (as published by or derived from the Exchange) on the five Trading Days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Shares at some future date at a specified price, on the five Trading Days immediately preceding the date of such announcement, in which case such purchase, redemption or buy back shall be deemed to constitute a dividend in AED to the extent that the aggregate price paid (before expenses) in respect of such Shares purchased, redeemed or bought back by Tabreed or, as the case may be, any of its Subsidiaries (translated where appropriate into AED as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Shares determined as aforesaid and (ii) the number of Shares so purchased, redeemed or bought back; and

(d) if Tabreed or any of its Subsidiaries shall purchase any depositary or other receipts or certificates representing Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Expert.

"Dividend Amount" shall have the meaning given to such term in Condition 6.4.

"Dividend Shares" shall have the meaning given to such term in Condition 6.4.

"Disruption Event" means an event beyond the control of the Issuer as a result of which any central securities depositary of the relevant Exchange cannot settle the book-entry transfer of the Shares on such date.

"Dissolution Event" means any of the events specified as such in Condition 12.

"Dissolution Redemption Date" has the meaning set out in Condition 12.

"Due Shares" means all the Shares and Dividend Shares (if any) due to be issued to Non-GCC Certificateholders on the relevant Redemption Date in accordance with these Conditions (prior to any application of Foreign Ownership Restrictions).

"Early Closure" means, in respect of the Shares or any other publicly traded securities, the closure on any Trading Day of the Exchange prior to its scheduled weekday closing time unless such earlier closing time is announced by such Exchange at least one hour prior to the actual closing time for the regular trading session on such Exchange on such Trading Day.

"Effective Date" means the relevant date specified in Condition 6.4(b).

"Exchange" means the Dubai Financial Market. For the purposes of these Conditions, except where the context otherwise requires, references to the Exchange shall, if the Shares or any other relevant securities are not listed on the Dubai Financial Market at the relevant time, be construed as references to such other UAE stock exchange or to any other stock exchange on which the Shares or other relevant securities, as the case may be, are primarily listed at such time, as notified to the Calculation Agent by the Issuer. If there is more than one stock exchange on which the Shares or other relevant securities, as the case may be, are primarily listed, the Calculation Agent shall select, following notification by the Issuer, as the Exchange the stock exchange which has in aggregate the greater volume of Shares or other relevant securities, as the case may be, traded over the Trading Days over which the Redemption Reference Price or other relevant price is calculated.

"Exchange Disruption" means, in respect of the Shares or any other publicly traded securities, any event (other than a Trading Disruption or an Early Closure) that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, the Shares or such securities, as the case may be, on the Exchange. The Calculation Agent shall determine whether an Exchange Disruption has taken place subject to and in accordance with the Agency Agreement and, in any event, any such determination may be based solely upon publicly available information or information provided to it by an Expert.

"Exchange Expenses" shall means the expenses payable by an Exercising Certificateholder on exchange of such Certificateholder's Certificates, as described in Condition 6.3.

"Exchange Price" shall have the meaning given to such term in Condition 6.4(a).

"Exercise Notice" means a notice of redemption to be delivered pursuant to Condition 6.8.

"Exercising Certificateholder" shall have the meaning given to such term in Condition 6.2.

"Expert" means an independent investment bank of international repute appointed by Tabreed and/or the Calculation Agent and/or the Delegate (in each case at the expense of Tabreed) and, where not appointed by the Delegate, approved in writing by the Delegate.

"Extraordinary Resolution" means a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the provisions of Schedule 3 of the Declaration of Trust by a majority of not less than three quarters of the votes cast.

"Fair Market Value" means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Expert provided, that (a) the Fair Market Value of a Cash Dividend paid or to be paid shall be the amount of such Cash Dividend; (b) the Fair Market Value of any other cash amount shall be the amount of such cash; (c) where options, warrants or other rights are publicly traded on any regulated stock exchange, the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant stock exchange commencing on such date (or if later, the first such Trading Day such options, warrants or other rights are publicly traded) or such shorter period as such options, warrants or other rights are publicly traded; (d) where options, warrants or other rights are not publicly traded on any regulated stock exchange the Fair Market Value shall be determined by the Expert, (e) in the case of (a) above, such amount shall be translated into AED (if such Cash Dividend is declared or paid or payable in a currency other than AED) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in AED; and in any other case, translated into AED (if expressed in a currency other than AED) at such rate of exchange as may be determined in good faith by the Expert to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available) and (f) in the case of (a) and (b) any withholding or deduction required to be made on account of tax and any associated tax credit shall be disregarded.

"Foreign Ownership Amount" means an amount (in dirhams) equal to the Redemption Reference Price as calculated on and by reference to a Calculation Period multiplied by the number of Non-Deliverable Shares.

"Foreign Ownership Calculation Date" means the third Business Day following the Notification Date.

"Foreign Ownership Restrictions" means any (a) applicable law, declaration, order, decree directive or regulation of any government or governmental body or court having jurisdiction over Tabreed, or (b) provision in any of Tabreed's constitutive documents, which, in each case, prohibits, limits or restricts the ownership of Shares by Non-GCC Persons.

"GCC Person" means a person who is a national of Bahrain, the Kingdom of Saudi Arabia, Qatar, Kuwait, the Sultanate of Oman and the United Arab Emirates or any other person who is wholly owned by such a national.

"Insolvency Dissolution Event" has the meaning given to it in Condition 12(iii).

"Lease Agreement" means the lease agreement entered into by the Issuer and Tabreed dated on or prior to the Closing Date.

"Liability" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or other tax charged or chargeable in respect thereof and properly incurred legal fees and expenses on a full indemnity basis.

"Market Disruption Event" means, in respect of the Shares or any other publicly traded securities, the occurrence or existence of (a)(i) a Trading Disruption or (ii) an Exchange Disruption, in each case on any relevant Trading Day at any time during the one hour period that ends at the close of such Trading Day, or (b) an Early Closure.

"Maturity Date" means 19 May 2011.

"Maturity Exchange Ratio" equals the arithmetic average of 20 Daily Exchange Ratios (calculated to five decimal places) calculated on the basis of the Closing Prices of the Shares on each of the 20 consecutive Trading Days ending on the third Trading Day prior to the Maturity Date.

"Maximum Exchange Price" means AED2.7468, subject to adjustment in accordance with Condition 6.4.

"Maximum Exchange Ratio" means AED10,000 divided by the Minimum Exchange Price.

"Minimum Exchange Price" means AED2.5200, subject to adjustment in accordance with Condition 6.4.

"Minimum Exchange Ratio" means AED10,000 divided by the Maximum Exchange Price.

"Non-Cash Dividend" means any Dividend which is not a Cash Dividend, but shall exclude a Stock Dividend.

"Non-Deliverable Shares" means (i) the number of Shares equal to the difference between the Due Shares and the Deliverable Shares (in respect of any calculation undertaken pursuant to Condition 6.6) or (ii) the Shares and/or the Dividend Shares (if any) not able to be issued (in respect of any other calculation pursuant to Condition 6.11).

"Non-GCC Certificateholder" means any Certificateholder who is a Non-GCC Person.

"Non-GCC Person" means a person who is not a GCC Person.

"Notification Date" shall have the meaning given to such term in Condition 6.8(e).

"Ordinary Annual Distribution Amount" shall have the meaning given to such term in the definition of "Annual Distribution Amount".

"Payment Period" means the period from (and including) the Closing Date to (but excluding) the first Rental Payment Date or, if earlier, the Redemption Date, and thereafter each successive period from (and including) a Rental Payment Date to (but excluding) the next succeeding Rental Payment Date or, if earlier, the Redemption Date (if such date is not a Rental Payment Date).

"person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity.

"Physical Settlement" shall have the meaning given to such term in Condition 6.5.

"Potential Dissolution Event" means any event which, with the giving of notice, lapse of time or fulfilment of any other applicable condition (or any combination of any of the foregoing) could constitute a Dissolution Event.

"Purchase Undertaking" means the purchase undertaking dated the Closing Date granted by Tabreed in favour of the Trustee.

"Ratio Fixing Day" shall have the meaning given to such term in Condition 6.4.

"Redemption Annual Distribution Amount" shall have the meaning given to such term in the definition of "Annual Distribution Amount".

"Redemption Date" shall have the meaning given to such term in Condition 6.5.

"Redemption Reference Price" means a price (in dirhams per Share) equal to the arithmetic average of the VWAP of the Shares for each Trading Day in the relevant Calculation Period as determined by the Calculation Agent, converted into dirhams at the Relevant Rate in effect on the Relevant Trading Day, provided that:

(a) if the VWAP is not available (disregarding the proviso to the definition of VWAP) on any Trading Day in the relevant Calculation Period, the Closing Price of such Shares for such Trading Day (as determined by the Calculation Agent) shall be used for the purposes of calculating the arithmetic average; and

(b) if a value cannot be determined as contemplated above as a result of a Market Disruption Event or otherwise, the Redemption Reference Price shall be the Fair Market Value of the Shares as determined by an Expert, in each case converted (if necessary) into dirhams at the Relevant Rate in effect on the relevant Trading Day.

"Regulation S" means Regulation S of the U.S. Securities Act of 1933.

"Relevant Certificates" means the relevant Certificate or Certificates that a Certificateholder has to redeem on the Maturity Date or wishes to redeem on a Change of Control Exercise Date or Tax Exchange Date, as the case may be.

"Relevant Date" means, in respect of any payment in relation to a Certificate, the later of (a) the date on which the payment first becomes due, and (b) if the full amount payable has not been received by the Principal Paying and Exchange Agent on or before the due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders by the Issuer in accordance with Condition 18.

"Relevant Jurisdiction" means the United Arab Emirates (in the case of any payment by Tabreed) and the Cayman Islands (in the case of any payment by the Issuer) or, in either case, any political subdivision or any authority thereof or therein having power to tax.

"Relevant Obligations" means:

(i) in respect of the Lease Agreement, payment of the Rental Amount;

(ii) in respect of the Purchase Undertaking, payment of the Base Amount, the Supplementary Amount and any Dividend Amounts;

(iii) in respect of the Istisna'a Agreement, the amounts payable, if any, in accordance with clause 6.3 of the Istisna'a Agreement; and

(iv) in respect of the Sale Undertaking payment of a cash amount in respect of the Supplementary Amount (if any) and any Dividend Amounts.

"Relevant Rate" means, on any day and in respect of the conversion of one currency into another currency, the rate of exchange between such currencies appearing on Bloomberg at 12 noon London time on that day (provided always that, in the case of any conversion of any currency into AED, the relevant rate shall be the rate published on Bloomberg page AED CRNCY at 9.00 a.m. London time on the relevant date), or, if that source is not available or that rate of exchange does not appear on that source on that day, the rate of exchange between such currencies appearing on Reuters at 12 noon London time on that day, or if that rate of exchange is available on neither such sources, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Calculation Agent shall determine having consulted with an Expert.

"Rental Amount" means in respect of:

(a) each Payment Period (other than any Payment Period which ends on a Redemption Date which is not a Rental Payment Date), an amount equal to the product of (i) the Rental Rate and (ii) the Aggregate Face Amount (as of the final day of such Payment Period); and

(b) each Payment Period which ends on a Redemption Date which is not a Rental Payment Date, an amount equal to the product of (i) the Rental Rate and (ii) the Aggregate Face Amount (as of the final day of such Payment Period) and (iii) the Day Count Fraction.

"Rental Payment Date" means the date falling two Business Days prior to the relevant Annual Distribution Date.

"Rental Rate" means 7.25 per cent. per annum.

"Sale Undertaking" means the sale undertaking executed by the Issuer in favour of Tabreed.

"Securities" includes, without limitation, Shares or options, warrants or other rights to subscribe for or purchase Shares.

"Senior Creditors" means creditors of Tabreed (including issuers of obligations similar to the Certificates to include, inter alia, any obligation of Tabreed in respect of any trust certificates issued by any other entity with recourse to Tabreed and any trade creditors of Tabreed) other than creditors in respect of obligations where, by the terms of such obligations, the claims of the creditors rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee in respect of the Relevant Obligations;

"Senior Obligations" means creditors of Tabreed other than creditors in respect of obligation whereby the terms of such obligations rank *pari passu* with or junior to the claims in respect of amounts payable under the Transaction Documents.

"Service Agency Agreement" means the service agency agreement entered into by the Issuer and Tabreed dated on or prior to the Closing Date.

"Shareholders" means the holders of Shares.

"Shares" means the ordinary shares of Tabreed quoted on the Exchange with a nominal value, as at the Closing Date, of AED 1 per share and ISIN number AE0005802600.

"Sharia Financial Ratio Notice" means the notice in the form set out in the Purchase Undertaking and in the Sale Undertaking confirming certain ratios in respect of indebtedness and assets of Tabreed.

"Solvent" means that (i) Tabreed is able to pay its debts to Senior Creditors as they fall due and (ii) its assets exceed its liabilities to Senior Creditors.

"Specified Share Day" has the meaning given to it in the definition of "Dividend".

"Stock Dividend" means any Dividend made by Tabreed in the form of additional Shares in Tabreed or securities in Tabreed of a similar type and nature to the Shares.

"Subordination Conditions" means:

(i) Tabreed is Solvent at the time when payment needs to be made; and

(ii) Tabreed is able to make payment of the Relevant Obligations and any other payment required to be made to a creditor in respect of indebtedness which ranks or is expressed to rank pari passu with the Relevant Obligations and still be Solvent immediately thereafter.

"Subsidiary" means, with respect to any person:

(a) any corporation, association, partnership or other business entity of which 50 per cent. or more of the total voting rights of its capital stock is at the time owned or controlled directly by such person, by such person and one or more Subsidiaries of such person, or by one or more Subsidiaries of such person;

(b) any partnership in which such person or a Subsidiary of such person is, at the time, a general partner; or

(c) any other person in which such person, one or more Subsidiaries of such person, or such person and one or more Subsidiaries of such person, directly or indirectly, at the date of determination thereof has (x) an ownership interest of 50 per cent. or more or (y) the power to elect or direct the election of a majority of the directors, members of the Board of Directors or other governing body of such person.

"Supplementary Amount" means, in respect of a Certificate, an amount calculated by the Calculation Agent on or about the third Business Day before the relevant Redemption Date, equal to the aggregate amount of all Annual Distribution Amounts relating to such Certificate in respect of Annual Distribution Dates falling on or after the relevant Redemption Date and up to and including the Maturity Date, discounted, in each case, from the relevant Redemption Date to the Maturity Date by reference to appropriate US dollar inter-bank offered rates and swap rates, as determined by the Calculation Agent.

"Tabreed" means National Central Cooling Company (Tabreed) PJSC.

"Tax Exchange Date" means the date fixed for redemption of the Certificates pursuant to Condition 7.1(a).

"Taxes" shall have the meaning given to such term in Condition 9.

"Total Loss Event" means (i) the total loss or destruction of the whole of the Cooling Assets or (ii) the compulsory acquisition, confiscation or expropriation of the whole of the Cooling Assets.

"Trading Day" means, in respect of the Shares or any other publicly traded securities at the relevant time, any day on which the Exchange is open for trading other than a day on which trading ceases prior to its regular weekday closing time.

"Trading Disruption" means, in respect of the Shares or any other publicly traded securities, any suspension of, or limitation imposed on, trading by the Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by such Exchange or otherwise relating to the Shares or such securities.

"Transaction Account" means the account of the Issuer maintained for the deposit of payments by Tabreed to the Issuer for the Certificateholders under the Transaction Documents.

"Transaction Documents" has the meaning set out in Condition 4.1.

"Trust" means the Tabreed 08 Financing Corporation trust as established pursuant to the Declaration of Trust.

"Trust Assets" has the meaning set out in Condition 4.1.

"UAE" means the United Arab Emirates.

"Voluntary Exchange following a Change of Control" means redemption of Certificates following the exercise by a Certificateholder of its rights of early redemption pursuant to Condition 6.2.

"Voting Rights" means the right generally to vote at a general meeting of Shareholders of Tabreed (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

"VWAP" means, in respect of the Shares or any other publicly traded securities or a security, as the case may be, on any Trading Day, the volume weighted average trading price for such Shares or other securities published on Bloomberg page TABREED UH EQUITY for such Trading Day provided that, if on any such Trading Day such price is not available, the volume weighted average price of a Share, any other publicly traded securities or any security, as the case may be, in respect of such Trading Day shall be the volume weighted average price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined or as the Expert might otherwise determine in good faith to be appropriate.

21.2 Interpretation

In these Conditions, unless otherwise specified or unless the context otherwise requires:

(a) references to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be construed so as to include an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any jurisdiction or requirements of any recognised regulatory body or any stock exchange in any jurisdiction or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;

(b) references to the "issue" of Shares shall include the transfer and/or delivery of Shares by Tabreed, whether newly issued and allotted or previously existing (and "issuing" of Shares shall be construed accordingly), and shall include (where the context so permits) the delivery of Shares by the Issuer on behalf of Tabreed;

(c) references to Shares shall be deemed, where the context permits, to include reference to any Dividend Shares deliverable to Certificateholders pursuant to these Conditions;

(d) Shares held by Tabreed or any of its Subsidiaries shall not be considered as or treated as "in issue"; and

(e) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

TAXATION

The following is a general description of certain tax considerations relating to the Certificate and the Shares. It does not purport to be a complete analysis of all tax considerations relating to the Certificates or the Shares. Prospective purchasers of Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates or Shares and receiving payments of profit, principal and/or other amounts under the Certificate or the Shares. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

United Kingdom Taxation

The following paragraphs are based on the Issuer's understanding of United Kingdom law and HM Revenue & Customs published practice as at the date hereof. They describe the United Kingdom withholding tax treatment of payments under the Certificates or the Shares and the extent to which United Kingdom stamp duty and stamp duty reserve tax would be payable on the issue, transfer and redemption of the Certificates or the Shares.

The comments made below do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Certificates or the Shares. Those comments are made on the basis of the following assumptions, that:

(a) the Issuer is not resident in the United Kingdom for United Kingdom tax purposes;

(b) no register of the Certificates or the Shares is kept in the United Kingdom by or on behalf of the Issuer or Tabreed (as appropriate);

(c) no payment to the Certificateholders, including any Annual Distribution Amount, has a United Kingdom source for United Kingdom tax purposes; and

(d) the Trust Assets do not include interests in or in respect of land in the United Kingdom.

Those comments relate only to the position of persons who are absolute beneficial owners of the Certificates or the Shares and may not apply to certain classes of person.

The following is a general guide and should be treated with appropriate caution. Certificateholders who are in any doubt as to their tax position should consult their professional advisers. Certificateholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Certificates or the Shares are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects in respect of the Certificates or the Shares. In particular, Certificateholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Certificates or the Shares even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

United Kingdom Withholding Tax

Annual Distribution Amounts will be payable without withholding or deduction for or on account of United Kingdom income tax. Any dividends paid by Tabreed on the Shares will be payable without withholding or deduction for or an account of United Kingdom income tax.

Information Reporting

Certificateholders who are individuals may wish to note that where any Annual Distribution Amount is paid to them (or to any person acting on their behalf) in respect of the Certificates by the Issuer, or paid by any person in the United Kingdom acting on behalf of the Issuer (a paying agent), or is received by any person in the United Kingdom acting on behalf of the relevant Certificateholder (other than solely by clearing or arranging the clearing of a cheque) (a collecting agent), then the Issuer or a paying agent (as the case may be) may, in certain cases, be required to supply to HM Revenue & Customs details of the payment and certain details relating to the Certificateholder (including the Certificateholder's name and address). These provisions will apply whether or not the payment has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Certificateholder is resident in the United Kingdom for United Kingdom tax purposes. Where the Certificateholder is not so resident, the details provided to HM Revenue & Customs may, in certain cases, be passed by HM Revenue & Customs to the tax authorities of the jurisdiction in which the Certificateholder is resident for taxation purposes.

United Kingdom Stamp Duty ("Stamp Duty") and Stamp Duty Reserve Tax ("SDRT")

No SDRT is payable on the issue, transfer or redemption of a Certificate. No Stamp Duty should be payable on the issue or redemption of a Certificate. Any instrument transferring a Certificate on sale which is executed in the United Kingdom or which (if not executed in the United Kingdom) relates to any matter or thing done or to be done in the United Kingdom will be stampable at 0.5 per cent. of the sale consideration.

No Stamp Duty will be payable on the issue of Shares on exchange. No Stamp Duty should be payable on the transfer of the Shares provided that any instrument or transfer is not executed in the United Kingdom, and does not relate to any property situated, or to any matter or thing to be done, in the United Kingdom. No SDRT will be payable on the issue, transfer or redemption of the Shares.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Annual Distribution Amounts) paid by a person within its jurisdiction to an individual, or certain other persons, resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending as of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

United Arab Emirates Taxation

The following summary of the anticipated tax treatment in the UAE in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this document, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of interest and distributions (whether or not on a winding-up) with respect to such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the United Arab Emirates. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of interest or principal on debt securities (including Annual Distribution Amounts or the Dissolution Amounts in relation to the Certificates).

The Constitution of the UAE specifically reserves to the federal government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The United Arab Emirates has entered into "Double Taxation Arrangements" with certain other countries, but these are not extensive in number.

Cayman Islands Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation. The Issuer has applied for and expects to obtain an undertaking from the governor-in-cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Issuer or by way of the withholding in whole or part of any relevant payment. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An annual registration fee is payable by the Issuer to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$575. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

THE UNITED ARAB EMIRATES

The information set forth in this section is based on publicly available information. The Issuer and Tabreed accept responsibility for accurately reproducing such information and as far as the Issuer and Tabreed are aware no facts have been omitted which would render such information inaccurate or misleading, but the Issuer and Tabreed accept no further responsibility in respect of such information. Such information may be approximations or use rounded numbers.

The UAE is a federation of seven emirates made up of Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaywan, Fujairah and Ras Al-Khaima. Formerly known as the Trucial States, it was a British protectorate until it achieved independence in December 1971 and merged to form the United Arab Emirates. Each Emirate has a local government headed by the Ruler of the Emirate. There is a federal government which is headed by the President. Each Emirate enjoys significant autonomy and has its own budget. The federal budget is principally funded by the two richest Emirates Abu Dhabi and Dubai.

Location

The UAE is situated along the south-eastern tip of the Arabian Peninsula bordered by Saudi Arabia to the west and south, and extends to the west coast of the Arabian Gulf from the base of the Qatar peninsula to Ras Al Khaimah in the north, and across the Musandam peninsula to the Gulf of Oman in the east, covering an area of 83,699 sq. km. The UAE, with over 700 kilometres of coastline, has seaports located in both the Arabian Gulf and the Gulf of Oman, which has helped to establish it as a leading trading hub.

Political Overview

The original constitution of the UAE was initially provisional and provided the legal framework for the Federation. The constitution was made permanent pursuant to a constitutional amendment in December 1996 (which also confirmed Abu Dhabi as the permanent capital of the UAE Federation).

The major principle adopted by the Constitution was that jurisdiction for enacting substantive legislation was confined to the federal government, but the local governments of the seven Emirates were authorised to regulate those matters that were not the subject of legislation by the federal government. The Constitution provided for the establishment of the Supreme Council of the Rulers of all the Emirates as the foremost authority in the Federation and a Council of Ministers as the executive branch of the Federation.

The Federation is governed by the Supreme Council of the Rulers. This is the highest federal governing body and consists of the rulers of the seven Emirates. The Supreme Council elects from its own membership the President and the Vice President (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five Emirates, provided that the votes of both Dubai and Abu Dhabi are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

Policy decisions of the Supreme Council are implemented by the Federal Council of Ministers, sometimes referred to as the cabinet. Upon the approval of the Supreme Council, the President appoints the Prime Minister and the Federal Council of Ministers to assume the country's executive authority. Based in Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of Ministers. These Ministers are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget. Although most of the federal government ministries are based in Abu Dhabi, many also maintain offices in Dubai.

The federal government is entrusted with the task of enacting legislation regulating the principal and central aspects of the Federation such as foreign affairs, defence, security, the federal judicial system, federal finance and loans and civil aviation. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Foreign Affairs, Defence, Justice, Finance and Industry, Economy and Commerce. The responsibility for the armed forces in Dubai has, within the past three years, been transferred to the federal authorities.

The Federal National Council is composed of 40 members of the national community who are recommended by the ruler of each Emirate. Each Emirate appoints members for a particular number of seats, with a large proportion of members coming from Abu Dhabi and Dubai (with eight members each). The members represent the UAE as a whole rather than their individual Emirates.

Although the Federal National Council does not have any legislative powers, it is responsible for, among other things, considering and reviewing draft federal laws or bills before they are submitted to the President and the Supreme Council for consideration and subsequent enactment. The Federal National Council can monitor and debate government policy but has no power of veto or amendment and cannot initiate any legislation itself.

There are three primary sources or types of law in the UAE: federal laws and decrees, local laws and Sharia. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler or local government will apply his or its own rules, regulations and practices. As is its right under the Constitution, Dubai, like the Emirate of Ras Al Khaimah, has elected to maintain its own court system, separate from that of the Federation, and the courts of Dubai have sole jurisdiction to hear cases brought in Dubai. Although both federal and Dubai courts have a similar three-tier structure (Court of First Instance, Court of Appeal and Court of Cassation/Supreme Court), Dubai has retained complete autonomy over its courts in all matters, which includes the appointment of judges. In accordance with the Constitution, however, the Dubai courts will first apply federal law where this exists and, in its absence, the laws of Dubai.

Economic Overview

The UAE is the second largest and one of the most diversified economies in the Gulf Co-operation Council region ("GCC"). The UAE has approximately 8 per cent. of proven global oil reserves, giving it the sixth largest oil reserves in the world, which would last 100 years at current rates of production. Approximately 94 per cent. of UAE oil reserves are within the Emirate of Abu Dhabi, which is also the Organization of Petroleum Exporting Countries ("OPEC") second largest oil exporter. Natural gas reserves in the UAE are the fifth largest in the world and are expected to last over 150 years. Oil production represents one-third of the UAE's gross domestic product ("GDP") and approximately one-half of export earnings. The UAE enjoys one of the highest GDP per capita in the region; 2006 per capita GDP stood at U.S.$31,500, a 45 per cent. increase from 2003. The UAE has recorded a current account surplus for every year on record. In 2006, the UAE had foreign exchange reserves of U.S.$24.9 billion and a current account surplus of U.S.$28.1 billion. Figures calculated in 2006 show that, in addition to high oil prices, the major contribution to GDP growth was from construction, manufacturing, tourism and the service sectors. The country's geographic location is of increasing strategic importance given the growth of neighbouring economies, such as China and India.

Sustained current account surpluses have enabled the public and private sectors in the UAE to accumulate a significant foreign asset position. The strong performance of the economy and global commodity price increases have resulted in strong government revenue and expenditure growth, leading to a movement from a fiscal deficit to a surplus.

The UAE is a member of the United Nations, the Arab League, the member states of the GCC, the OPEC, the International Monetary Fund, the World Trade Organization and the General Agreement on Tariffs and Trade.

Abu Dhabi is the richest and largest of the seven Emirates and the city of Abu Dhabi is also the capital of the Federation. During his long presidency, H.H. Sheikh Zayed oversaw massive investment in the infrastructure of the UAE, which has transformed the country.

Credit Rating

The strong performance and growing strength of the UAE economy is reflected by Moody's Investors Service, Inc.'s long-term foreign currency rating of bonds and bank deposits of Aa2 and the short-term foreign currency rating of Prime-1.

Membership of International Organisations

The UAE has ratified several international treaties and is a member of various organisations including, *inter alia*, the United Nations, the Arab League, the Arab Gulf Cooperation Council, the Organisation of Islamic Countries, the Organisation of Arab Petroleum Exporting Countries, the Organisation of Petroleum Exporting Countries, the World Health Organisation, the International Monetary Fund, the International Organisation for Industrial Development, the World Trade Organisation and Asia-Pacific Economic Cooperation.

The UAE enjoys good relations with the other states in the GCC. However, it does have a longstanding regional dispute with Iran over three islands in the Gulf and, as such, is not immune to the political risks that have overshadowed the region.

The Emirate of Dubai

Dubai started as a pearl and fishing village sometime in the first half of the 18th century. From the 1850s until the formation of the UAE, the British were the dominant influence in the region, and each Emirate entered into a separate treaty with them. The Emirates were then collectively known as the Trucial States or Sheikhdoms until the area was generally known as the Trucial Coast. The Sheikhdoms were each led by a sheikh, who usually belonged to the most influential tribe in that area.

The growth of Dubai began in the early part of the 19th century when members of the Bani Yas tribe, led by Sheikh Maktoum Bin Butti, left Abu Dhabi and migrated north to found an independent Sheikhdom in the area now known as Dubai.

As the 19th century unfolded, Dubai, split by a 14 kilometre long creek which led into a natural harbour, established itself as a flourishing centre for the import and re-export of merchandise (the "entrepot trade"). If entrepot trade was the first and most important pillar of Dubai's economic activity, the second was pearling. Offshore from Dubai and Abu Dhabi, the waters were rich with pearl beds. However, the Great Depression of the 1930s and the emergence of artificial pearls in 1929 dented Dubai's prosperity.

To counter the loss of economic activity from the decline in pearling, Dubai enticed traders from India and Iran to establish their business. Traders, attracted by Dubai's liberal policies, especially its lower taxes on foreigners compared to its neighbours, made it their base and Dubai was quickly established as a trading centre for trade in gold bullion, textiles and consumer durables.

In the 1930s and 1940s, oil was discovered in Kuwait, Qatar and Saudi Arabia — adding to that already found in Iran, Iraq and Bahrain. In 1958, oil was found off the shore of Abu Dhabi and, in 1966, oil was first discovered by the Dubai Petroleum Company at Fateh, which lies 92 kilometres off the coast of Dubai. As the primary regional trading hub, Dubai was well placed to capitalise on the upswing in Middle East business activity that came with oil exports. Over the years, oil revenues have been used to create and develop the economic and social infrastructure of Dubai.

Dubai is, after the Emirate of Abu Dhabi, the largest emirate in the UAE, and is situated on the west coast of the UAE in the south western part of the Arabian Gulf. It covers an area of 3,885 sq. kilometres and lies approximately at longitude 55 degrees East and latitude 25 degrees North. Except for a tiny enclave in the Hajar Mountains at Hatta, the Emirate of Dubai comprises one contiguous block of territory.

Dubai's strategic position at the crossroads between the East and West has helped establish it as a leading trading and services hub between the Far East and Europe.

Dubai's economy is more diversified and dynamic than that of Abu Dhabi and it is one of the most important commercial centres in the Middle East, with growing banking, tourism and real estate sectors. However, with only a fraction of the fossil fuel reserves of Abu Dhabi, it has gradually reduced its dependency on oil and gas revenues. The Government of Dubai continues to invest heavily in the infrastructure of the Emirate and its economic development.

All powers of government in Dubai are vested in the Ruler. The various departments and other arms of the government and their respective executives operate under the powers and responsibilities specifically delegated to them from time to time by the Ruler. Laws of Dubai are passed by decree of the Ruler. The present Ruler is H.H. General Sheikh Mohammed bin Rashid Al Maktoum, who is also chairman of Dubai's Executive Council.

In Dubai, there are various local government bodies charged with regulating and administering local law and policy, including the Dubai Department of Economic Development, Dubai Municipality and the Department of Civil Aviation.

The population of Dubai was estimated at 1,422,000 in 2007. Approximately 75 per cent. of the population is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. Approximately 75 per cent. of the population is estimated to be male and 25 per cent. female, reflecting the large male expatriate workforce.

The Emirate of Abu Dhabi

H.H. Sheikh Khalifa bin Zayed Al-Nahyan is the Ruler of Abu Dhabi. The Emirate of Abu Dhabi is overseen primarily by the Abu Dhabi Executive Council, which is chaired by Crown Prince H.H. Sheikh Mohammed bin Zayad Al-Nahyan. The Executive Council has 12 members, including the Under-Secretary of Finance, as one of the representatives of Abu Dhabi's Department of Finance. The Executive Council's responsibilities include preparing local laws for approval and signature of the Ruler, preparing the local budget and supervising the functioning of local government and matters including supply of electricity and water. There are approximately 1.7 million residents in the Emirate of Abu Dhabi.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. The information in this section concerning such clearing systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, Tabreed nor the Joint Lead Managers takes any responsibility for the accuracy of this section. The Issuer and Tabreed only take responsibility for the correct extraction and reproduction of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer or Tabreed and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Book-entry interests in the Certificates will be represented by the Global Certificate registered in the name of a common depositary or its nominee for Euroclear and Clearstream, Luxembourg. Beneficial ownership of book-entry interests in the Global Certificate will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Global Certificate in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear or Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Global Certificate will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Global Certificate. The Registrar will be responsible for maintaining a record of the aggregate holdings of the Global Certificate registered in the name of a common depositary or its nominee for Euroclear and Clearstream, Luxembourg and/or, if individual Certificates are issued in the limited circumstances described under "Global Certificate", holders of Certificates represented by those individual Certificates. The Principal Paying and Exchange Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Global Certificate holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

Holders of book-entry interests in the Global Certificate may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg.

Clearance and Settlement Procedures

Initial Settlement

Upon their original issue, the Certificates will be in global form represented by the Global Certificate. Interests in the Global Certificate will be in uncertified book-entry form. Purchasers holding book entry interests in the Global Certificate through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Global Certificate will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on or about the Closing Date against payment (for value the Closing Date).

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Certificates where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day immediately available funds.

General

Neither Euroclear nor Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer, the Trustee, Tabreed or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Each of Morgan Stanley & Co. International plc, National Bank of Abu Dhabi P.J.S.C and Standard Chartered Bank (the "Joint Lead Managers") have, pursuant to a Subscription Agreement dated 29 April 2008 (the "Subscription Agreement"), severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Certificates at the issue price of 100 per cent. of their face amount, less certain commissions for acting in such capacity. In addition, Tabreed has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment in respect of the Certificates being made to the Issuer.

Tabreed has agreed in the Subscription Agreement with the Joint Lead Managers that for a period commencing on the date of the Subscription Agreement and ending 90 days after the Closing Date (both dates inclusive), Tabreed will not and will procure that none of its subsidiaries or any other party acting on its or their behalf (other than the Joint Lead Managers) will (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for Shares or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Shares, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply (a) to the issue of the Certificates or (b) to the issue of Shares pursuant to exchange of the Certificates or (c) upon exercise of options in respect of Shares existing as at the date hereof or (d) to the grant of options under any employees' share scheme existing and disclosed in this Prospectus. For the purposes of this paragraph Shares shall include participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Shares.

Mubadala Development Company (Mubadala) has agreed to purchase on the Closing Date AED367,290,000 principal amount of the Certificates.

United States

The Certificates and the Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Certificates (or the Shares to be issued upon exchange of the Certificates) constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Joint Lead Managers nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Certificates or the Shares to be delivered on exchange of the Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and Tabreed; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Joint Lead Manager has represented, warranted and agreed that the Certificates have not been and will not be offered or sold or purchased or held by members of the public of the Cayman Islands for income tax purposes.

United Arab Emirates

Each Joint Lead Manager has represented, warranted and agreed that:

(a) the Certificates have not been and will not be publicly offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with laws applicable in the United Arab Emirates governing the issue, offering and sale of securities; and

(b) the information contained in this Prospectus does not constitute an offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1986 (as amended)) or otherwise and is not intended to be a public offer and the information contained in the Prospectus is not intended to lead to the conclusions of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Joint Lead Manager has represented, warranted and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is (a) deemed to be an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "Rules"); and (b) made only to persons of a type specified in the Rules.

Bahrain

Each Joint Lead Manager has represented, warranted and agreed that it has not offered and will not offer, Certificates to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001) of Bahrain) in Bahrain.

Kuwait

Each Joint Lead Manager has represented, warranted and agreed that no marketing or sale of the Certificates may take place in Kuwait unless the same has been duly authorised by the Kuwait Ministry of Commerce and Industry pursuant to the provisions of Law No. 31/1990 and the various ministerial regulations issued thereunder.

Qatar

Each Joint Lead Manager has represented, warranted and agreed that the Certificates are only intended to be distributed to persons in Qatar who are not Retail Customers (as such term is defined in the QFC Regulatory Authority Interpretation and Application Rulebook, Glossary of Defined Terms).

General

No action has been taken by the Issuer or Tabreed or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Certificates or possession or distribution of the Prospectus or any other offering or publicity material relating to the Certificates in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Certificates or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Certificates by it will be made on the same terms.

Each Joint Lead Manager has represented, warranted and agreed that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required for the offer, purchase or sale by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will, to the best of its knowledge and belief, comply with all such laws and regulations.

GENERAL INFORMATION

1. It is expected that listing of the Certificates on the Official List and admission of the Certificates to trading on the Market will be granted on or before 19 May 2008, subject only to the issue of the Global Certificate. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in dirhams. The Certificates will be governed by English law and, under the Declaration of Trust, the Issuer will submit to the exclusive jurisdiction of the courts of England.

2. The Issuer has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates. The issue of the Certificates was authorised by the directors of the Issuer passed on 30 April 2008. The entry into the Transaction Documents to which it is a party was authorised by the directors of Tabreed on 10 April 2008.

3. There has been no significant change in the financial or trading position of the Issuer since its date of incorporation and no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation.

4. There has been no significant change in the financial or trading position of Tabreed or the Group since 31 December 2007 and no material adverse change in the financial position or prospects of Tabreed or the Group since 31 December 2007.

5. The Issuer is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

6. Tabreed and the Group are not or have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Tabreed is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Tabreed or the Group.

7. The Certificates have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 035979913. The International Securities Identification Number (ISIN) for the Certificates is XS0359799136.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

8. Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

9. For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of Tabreed and the Paying and Exchange Agent in London:

   (a) the Transaction Documents (other than the Subscription Agreement);

   (b) the Memorandum and Articles of Association of the Issuer;

   (c) the audited financial statements accounts of Tabreed for the three financial years ended 31 December 2007 and the respective auditors' reports thereon;

   (d) the pronouncement dated 20 April 2008 issued by the Sharia Advisory Board of Morgan Stanley; and

   (e) the Prospectus.

   The Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/en-gb/pricesnews/marketnews/*.

10. Ernst & Young of PO Box 136, Abu Dhabi, UAE Chartered Accountants, have rendered unqualified audit reports on the audited consolidated financial statements of Tabreed for the three years ended 31 December 2005, 31 December 2006 and 31 December 2007.

11. The expenses relating to the admission to trading of the Certificates are expected to amount to £2,725.

APPENDIX — FINANCIAL INFORMATION

National Central Cooling Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CENTRAL COOLING COMPANY PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2007 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

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

13 February 2008
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2007

	Notes	2007 AED '000	2006 AED '000
Revenue	3	**549,300**	469,995
Operating costs		**(312,063)**	(280,975)
GROSS PROFIT		**237,237**	189,020
Salaries and staff related costs		**(59,851)**	(37,001)
Administrative and other expenses		**(56,686)**	(47,561)
Provision for impairment of property, plant and equipment	10	**-**	(197)
Finance costs	4	**(68,697)**	(51,305)
Other income	5	**37,083**	70,684
Share of results of associates	11	**12,077**	1,617
PROFIT FOR THE YEAR	6	**101,163**	125,257
Attributable to:			
Equity holders of the parent		**71,907**	104,406
Minority interests		**29,256**	20,851
		101,163	125,257
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.06**	0.09

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	*2007* *AED '000*	*2006* *AED '000*
ASSETS			
Non-current assets			
Capital work in progress	9	**1,123,746**	755,482
Property, plant and equipment	10	**2,018,188**	1,282,344
Investments in associates	11	**193,690**	109,440
Available for sale investments		**8,487**	1,880
Intangible assets	13	**38,344**	38,334
Loan to an associate	15	**42,029**	-
		3,424,484	2,187,480
Current assets			
Inventories		**34,306**	27,235
Trade and other receivables	16	**314,977**	879,778
Financial assets carried at fair value through income statement	17	**117,390**	108,032
Contract work in progress	18	**179,031**	111,947
Prepayments		**7,774**	4,203
Bank balances and cash	19	**430,262**	866,510
		1,083,740	1,997,705
TOTAL ASSETS		**4,508,224**	4,185,185
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	20	**1,134,000**	1,050,000
Treasury shares	21	**(10,050)**	(10,050)
Statutory reserves	22	**36,478**	27,303
Retained earnings		**10,730**	27,378
Cumulative changes in fair value of derivatives and available for sale investments	22	**(8,509)**	9,500
Reserve for proposed bonus issue	23	**79,380**	84,000
Foreign currency translation reserve		**(145)**	(374)
		1,241,884	1,187,757
Minority interests		**132,971**	121,938
Total equity		**1,374,855**	1,309,695
Non-current liabilities			
Accounts payable and accruals	28	**77,444**	36,468
Interest bearing loans and borrowings	24	**1,092,742**	688,830
Islamic financing arrangements	25	**1,099,847**	1,098,744
Obligations under finance lease	26	**48,635**	51,610
Employees' end of service benefits	27	**11,267**	8,225
		2,329,935	1,883,877
Current liabilities			
Accounts payable and accruals	28	**672,904**	429,555
Bank overdraft	19	**61,626**	280,322
Interest bearing loans and borrowings	24	**57,595**	41,024
Islamic financing arrangements	25	**8,334**	238,006
Obligations under finance lease	26	**2,975**	2,706
		803,434	991,613
Total liabilities		**3,133,369**	2,875,490
TOTAL EQUITY AND LIABILITIES		**4,508,224**	4,185,185

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Mohamed Saif Al Mazrouei
CHAIRMAN

Dany Safi
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2007

	Note	Share capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Cumulative changes in fair value of derivatives and available for sale investments AED '000	Reserve for proposed bonus issue AED '000	Foreign currency translation reserve AED '000	Total AED '000	Minority interests AED '000	Total equity AED '000
		Attributable to equity holders of the parent									
Balance at 1 January 2006		**1,000,000**	**(10,050)**	**14,544**	**22,881**	**3,800**	**50,000**	**-**	**1,081,175**	**64,601**	**1,145,776**
Net movement in fair value of cash flow hedges		-	-	-	-	5,700	-	-	5,700	-	5,700
Board of directors' remuneration	23	-	-	-	(3,150)	-	-	-	(3,150)	-	(3,150)
Exchange difference arising on translation of foreign currency operations		-	-	-	-	-	-	(374)	(374)	-	(374)
Total income and expense for the year recognised directly in equity		-	-	-	(3,150)	5,700	-	(374)	2,176	-	2,176
Profit for the year		-	-	-	104,406	-	-	-	104,406	20,851	125,257
Total income and expense for the year		-	-	-	101,256	5,700	-	(374)	106,582	20,851	127,433
Bonus shares issued		50,000	-	-	-	-	(50,000)	-	-	-	-
Transfer to statutory reserve		-	-	12,759	(12,759)	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	(12,375)	(12,375)
Increase in share capital of subsidiaries		-	-	-	-	-	-	-	-	48,861	48,861
Proposed bonus issue	23	-	-	-	(84,000)	-	84,000	-	-	-	-
Balance at 31 December 2006		**1,050,000**	**(10,050)**	**27,303**	**27,378**	**9,500**	**84,000**	**(374)**	**1,187,757**	**121,938**	**1,309,695**
Balance at 1 January 2007		**1,050,000**	**(10,050)**	**27,303**	**27,378**	**9,500**	**84,000**	**(374)**	**1,187,757**	**121,938**	**1,309,695**
Net movement in fair value of cash flow hedges		-	-	-	-	(24,616)	-	-	(24,616)	-	(24,616)
Gain on revaluation of available for sale investments		-	-	-	-	6,607	-	-	6,607		6,607
Exchange difference arising on translation of foreign currency operations		-	-	-	-	-	-	229	229	-	229
Total income and expense for the year recognised directly in equity		-	-	-	-	(18,009)	-	229	(17,780)	-	(17,780)
Profit for the year		-	-	-	71,907	-	-	-	71,907	29,256	101,163
Total income and expense for the year		-	-	-	71,907	(18,009)	-	229	54,127	29,256	83,383
Bonus shares issued		84,000	-	-	-	-	(84,000)	-	-	-	-
Transfer to statutory reserve		-	-	9,175	(9,175)	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	(18,223)	(18,223)
Proposed bonus issue	23	-	-	-	(79,380)	-	79,380	-	-	-	-
Balance at 31 December 2007		**1,134,000**	**(10,050)**	**36,478**	**10,730**	**(8,509)**	**79,380**	**(145)**	**1,241,884**	**132,971**	**1,374,855**

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2007

	Notes	*2007* *AED '000*	*2006* *AED '000*
OPERATING ACTIVITIES			
Profit for the year		**101,163**	125,257
Adjustment for:			
Depreciation of property, plant and equipment	10	**43,796**	59,405
Amortisation of trademarks	13	**3**	2
Provision for impairment loss relating to property, plant and equipment	10	**-**	197
Net movement in employees' end of service benefits	27	**3,042**	341
Share of results of associates		**(9,574)**	(1,617)
Interest income	5	**(9,544)**	(10,983)
Finance costs	4	**68,697**	51,305
Changes in fair value relating to financial assets carried at fair value through income statement	5	**(9,358)**	(6,472)
Gain on disposal of property, plant and equipment	5	**-**	(40,552)
Gain on disposal of assets classified as held for sale	5	**-**	(682)
Changes in prepaid finance costs		**10,419**	(9,018)
		198,644	167,183
Working capital changes:			
Inventories		**(7,071)**	(9,584)
Trade and other receivables and prepayments		**59,427**	(141,948)
Contract work in progress		**(67,084)**	(42,736)
Accounts payable and accruals		**187,040**	78,089
Net cash from operations		**370,956**	51,004
Interest paid		**(70,858)**	(23,453)
Net cash from operating activities		**300,098**	27,551
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(22,831)**	(63,385)
Proceeds from sale of property, plant and equipment		**501,803**	1,595
Proceeds from sale of assets classified as held for sale		**-**	18,549
Investments in associates	11	**(74,676)**	(61,821)
Purchase of trademarks	13	**(13)**	-
Purchase of financial assets carried at fair value through income statement		**-**	(55,262)
Proceeds on disposal of financial assets carried at fair value through income statement		**-**	29,971
Additions to capital work in progress, net of advances		**(1,050,014)**	(846,022)
Purchase of available for sale investments		**-**	(1,880)
Loan to an associate	15	**(42,029)**	-
Interest received	5	**9,544**	10,983
Net cash used in investing activities		**(678,216)**	(967,272)

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT continued
Year ended 31 December 2007

	Notes	*2007* *AED '000*	*2006* *AED '000*
FINANCING ACTIVITIES			
Minority interest in increase in share capital of subsidiaries		**-**	48,861
Dividends paid to minority interests		**(18,223)**	(12,375)
Interest bearing loans and borrowings received		**463,763**	372,331
Interest bearing loans and borrowings repaid		**(44,262)**	(50,432)
Payment for obligations under finance lease		**(2,706)**	(1,493)
Islamic financing arrangement repaid		**(238,006)**	(29,691)
Islamic financing arrangement received		-	734,800
Proceeds from sale and lease back of property, plant and equipment under finance lease		-	55,809
Net cash from financing activities		**160,566**	1,117,810
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(217,552)**	178,089
Cash and cash equivalents at 1 January		**586,188**	408,099
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**368,636**	586,188

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

	2007	2006
Trade and other receivable – fair value adjustment for derivatives	**-**	5,700
Accounts payable and accruals – fair value adjustment for derivatives	**(24,616)**	-
Transfer from capital work in progress to property, plant and equipment	**756,809**	733,461
Bonus share issue	**84,000**	50,000
Movement in foreign currency translation reserve	**229**	(374)
Receivable from a related party on disposal of property, plant and equipment	**-**	525,000
Accounts payables and accruals – deferred income	**-**	27,035
Accounts payables and accruals – provision for board of directors' remuneration	**-**	3,150
Unrealised gain on available for sale investment	**6,607**	-
Interest payable	**43,400**	45,561
Adjustment of profit resulting from transactions with associates	**2,503**	-

The attached notes 1 to 33 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 U.A.E. Commercial Companies Law No. 8 of 1984 (as amended) and is listed on the Dubai Financial Market. The principal objectives of the Company are to construct, own, assemble, install, operate and maintain cooling and conditioning systems. In addition, the Company's objectives include to distribute and sell chilled water for use in district cooling technologies.

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 13 February 2008.

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments, share-based payments, financial assets carried at fair value through income statement and available for sale investments.

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

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

Minority interests principally represent the interest in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.2 CHANGES IN ACCOUNTING POLICIES

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

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effects of these changes in policies are discussed below:

- IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

- IAS 1 - Amendment Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 32.

- IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As notional units of the Company's ordinary shares are only granted to employees in accordance with the employee incentive scheme, the interpretation had no impact on the financial position or performance of the Company.

- IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

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

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

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

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

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

During the year, the estimated useful life of plants and related distribution assets (the "Assets") was revised from 25 years to 30 years for plants and other related integrated assets including buildings and from 25 years to 50 years for related distribution assets, as a result of a review of their respective useful lives carried out by an independent consultant. The change in useful lives estimate has been applied with effect from 1 January 2007. The financial impact of the change in the estimated useful lives of the Assets is a reduction in the depreciation charge of AED 23.8 million for the year ended 31 December 2007 which has been reflected in full in the profit for the year ended 31 December 2007.

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of key assumptions are given in note 14.

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

At the balance sheet date, gross trade accounts receivable were AED 238.2 million (2006: AED 185.9 million), and the provision for doubtful debts was AED 3.8 million (2006: AED 3.8 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

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

At the balance sheet date, gross inventory was AED 34.3 million (2006: AED 27.2 million). No provision has been made for obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated income statement.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Connection fee is recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisifes other criteria for upfront recognition to the income statement. Other income representing management service income and property service income is recognised when the service is performed.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Plant and related integrated assets (incl building)	over 30 years (effective from 1 January 2007)
Distribution assets	over 50 years (effective from 1 January 2007)
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

Prior to 1 January 2007, plant, buildings and distribution assets were depreciated over 25 years. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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

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

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

2.4 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 equity, while any ineffective portion is recognised immediately in the consolidated income statement.

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

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

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

Foreign currencies
The consolidated financial statements are presented in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

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

Financial instruments
Financial instruments comprise financial assets and financial liabilities.

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

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

2.5 FUTURE CHANGES IN ACCOUNTING POLICIES - STANDARDS ISSUED BUT NOT YET EFFECTIVE

IAS 1 Presentation of Financial Statements
The Group has not adopted the revised IAS 1 (Presentation of Financial Statements) which will be effective for the year ending 31 December 2009. The application of this Standard will result in amendments to the presentation of the financial statements.

IAS 23 Borrowing Costs
A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group already capitalises borrowing costs relating to qualifying assets. Accordingly, the revision in IAS 23 will not have an impact on the Group's financial statements.

IFRS 8 Operating Segments
IFRS 8 Operating Segments was issued in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Group discloses information about its operating segments.

3 SEGMENTAL ANALYSIS

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

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

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

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

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

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

3 SEGMENTAL ANALYSIS continued

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

	Services *AED '000*	*Chilled water* *AED '000*	*Contracting* *AED '000*	*Manufacturing* *AED '000*	*Eliminations* *AED '000*	*Total* *AED '000*
2007						
Revenue						
External revenue	**106,943**	**192,771**	**103,211**	**146,375**	**-**	**549,300**
Inter–segment sales	**13,779**	**-**	**-**	**-**	**(13,779)**	**-**
Total revenue	**120,722**	**192,771**	**103,211**	**146,375**	**(13,779)**	**549,300**
Result						
Segment result	**57,766**	**30,127**	**20,742**	**33,829**	**(3,583)**	**138,881**
Finance costs						**(68,697)**
Interest and investment income						**18,902**
Share of results of associates		**12,077**				**12,077**
Minority interests						**(29,256)**
Profit for the year attributable to equity holders of the parent						**71,907**
2006						
Revenue						
External revenue	68,640	175,003	100,983	125,369	-	469,995
Inter–segment sales	6,345	-	-	-	(6,345)	-
Total revenue	74,985	175,003	100,983	125,369	(6,345)	469,995
Result						
Segment result	32,745	73,124	22,104	28,904	613	157,490
Finance costs						(51,305)
Interest and investment income						17,455
Share of results of associates		1,617				1,617
Minority interests						(20,851)
Profit for the year attributable to equity holders of the parent						104,406

2007	*Services* *AED '000*	*Chilled water* *AED '000*	*Contracting* *AED '000*	*Manufacturing* *AED '000*	*Unallocated* *AED '000*	*Total* *AED '000*
Other information						
Segment assets	116,691	3,481,007	228,167	113,395	-	3,939,260
Investments in associates	-	193,690	-	-	-	193,690
Unallocated assets	-	-	-	-	375,274	375,274
Total assets	**116,691**	**3,674,697**	**228,167**	**113,395**	**375,274**	**4,508,224**
Segment liabilities	**27,484**	**2,838,240**	**233,102**	**34,543**	**-**	**3,133,369**
2006						
Other information						
Segment assets	76,398	3,387,457	177,974	104,480	-	3,746,309
Investments in associates	-	109,440	-	-	-	109,440
Unallocated assets	-	-	-	-	329,436	329,436
Total assets	76,398	3,496,897	177,974	104,480	329,436	4,185,185
Segment liabilities	16,970	2,680,385	138,763	39,372	-	2,875,490

3 SEGMENTAL ANALYSIS continued

	Services AED '000	*Chilled water AED '000*	*Contracting AED '000*	*Manufacturing AED '000*	*Total AED '000*
2007					
Capital expenditure:					
Property, plant and equipment	**719**	**20,544**	**25**	**1,543**	**22,831**
Capital work in progress	**-**	**1,139,290**	**-**	**16,530**	**1,155,820**
Depreciation	**535**	**41,175**	**334**	**1,752**	**43,796**
2006					
Capital expenditure:					
Property, plant and equipment	391	62,146	144	704	63,385
Capital work in progress	-	792,324	-	19,951	812,275
Depreciation	541	57,308	512	1,044	59,405

4 FINANCE COSTS

	2007 AED '000	*2006 AED '000*
Interest bearing loans and borrowings and overdrafts	**45,208**	23,432
Islamic financing arrangements	**22,175**	27,873
Interest element of finance leases	**1,314**	-
	68,697	51,305

5 OTHER INCOME

	2007 AED '000	*2006 AED '000*
Gain on disposal of property, plant and equipment to a related party	**-**	40,552
Gain on disposal of assets classified as held for sale	-	682
Bank interest	**9,544**	10,983
Changes in fair value relating to financial assets carried at fair value through income statement	**9,358**	6,472
Gain arising from compensation received on termination of contract	**-**	3,910
Management service income	**6,290**	3,860
Property maintenance income	**9,245**	3,568
Miscellaneous income	**2,646**	657
	37,083	70,684

6 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2007 AED '000	*2006 AED '000*
Costs of inventories recognised as an expense	**110,656**	94,403
Total staff costs	**84,056**	54,678

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

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

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

	2007	*2006*
Profit for the year attributable to ordinary equity holders of the parent (*AED '000*)	**71,907**	104,406
Weighted average number of ordinary shares issued, excluding treasury shares ('000)	**1,123,950**	1,123,950
Basic and diluted earnings per share *(AED)*	**0.06**	0.09

The weighted average number of ordinary shares in issue used in the determination of the earnings per share for the year ended 31 December 2006 has been adjusted for the effect of the share bonus issue in 2007 (note 20).

As of 31 December 2007, the Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

8 SUBSIDIARIES

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

	Country of incorporation	*Percentage of holding 2007 and 2006*	
Gulf Energy Systems LLC	U.A.E.	100	100
National Central Cooling Company Ras Al Khaimah LLC	U.A.E.	100	100
Emirates Preinsulated Pipes Industries LLC	U.A.E.	60	60
Installation Integrity 2000 LLC	U.A.E.	60	60
BAC Balticare Gulf LLC	U.A.E.	100	100
Summit District Cooling Company	U.A.E.	51	51
Bahrain District Cooling Company	Bahrain	68	57
Ian Banham and Associates	U.A.E.	70	70
Tabreed Holdings WLL	Bahrain	100	100
Tabreed LLC Oman	Oman	100	100
Tabreed Captive Insurance Company B.S.C.	Bahrain	100	100
Installation Integrity 2006 WLL	Qatar	52	52
Tabreed Oman SAOC	Oman	60	-
Sahara Cooling and Air Conditioning LLC	U.A.E.	51	-

Gulf Energy Systems LLC was registered on 15 April 1995 and commenced its commercial activities thereafter.

National Central Cooling Company Ras Al Khaimah LLC was registered on 22 November 1999 and commenced its commercial activities thereafter.

Emirates Preinsulated Pipes Industries LLC was registered on 13 December 2000 and commenced its commercial activities in May 2002.

Installation Integrity 2000 LLC (I2I) was registered on 15 May 2000 and commenced its commercial activities thereafter. Tabreed acquired its equity share in I2I in 2002.

BAC Balticare Gulf LLC was registered on 7 April 2003 and commenced its commercial activities thereafter.

Tabreed acquired a 51% interest in Summit District Cooling Company (SDCC) on 29 May 2004. SDCC commenced its commercial activities thereafter.

Tabreed acquired a 55% interest in Bahrain District Cooling Company (BDCC) on 31 October 2004. BDCC commenced its commercial activities thereafter. During the year, Tabreed invested an additional amount of AED 49 million. Tabreed's interest in BDCC as of 31 December 2007 increased to 68%.

Tabreed acquired a 70% interest in Ian Banham and Associates on 27 October 2004. Ian Banham and Associates is already engaged in commercial activities.

Tabreed Holdings WLL was incorporated in the Kingdom of Bahrain and registered as a limited liability company in 2006 and commenced its activities thereafter.

Tabreed LLC Oman was incorporated in the Sultanate of Oman and registered as a limited liability company in 2006. Tabreed LLC Oman has not started commercial activities as at 31 December 2007.

Tabreed Captive Insurance Company B.S.C was registered in Bahrain as a closed Joint Stock Company. Tabreed Captive Insurance Company B.S.C has started operations in 2007.

Installation Integrity 2006 WLL was registered in 2006 in the state of Qatar and commenced its commercial activities thereafter.

Tabreed Oman SAOC was incorporated in the Sultanate of Oman and registered as a limited liability company. During the year, Tabreed invested an amount of AED 5.7 million representing its share of share capital issued by Tabreed Oman SAOC. Tabreed Oman SAOC has not started commercial activities as at 31 December 2007.

Sahara Cooling and Air Conditioning LLC was incorporated in Abu Dhabi and registered as a limited liability company in 2007 and commenced its commercial activities thereafter.

9 CAPITAL WORK IN PROGRESS

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

	2007	*2006*
	AED '000	*AED '000*
Balance at 1 January	**674,191**	595,377
Additions during the year	**1,155,820**	812,275
Transfer to property, plant and equipment (note 10)	**(756,809)**	(733,461)
	1,073,202	674,191
Advances to contractors	**50,544**	81,291
Balance at 31 December	**1,123,746**	755,482

At 31 December 2007, capital work in progress amounting to AED 214 million (2006: AED 207 million) is held as security against interest bearing loans and borrowings (note 24) and AED 299 million (2006: AED 243 million) is held as security against Islamic financing arrangements (note 25). Upon completion of the construction of plants under Istisna'a financing arrangements, the total cost of the plant thereafter is financed under an Islamic Ijara agreement. Included in additions to capital work in progress are capitalised financing costs amounting to AED 72.11 million (2006: AED 51.6 million).

10 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings	*Furniture and fixtures*	*Office equipment and instruments*	*Motor vehicles*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2007					
Cost:					
At 1 January 2007	1,377,316	6,793	16,113	2,105	1,402,327
Additions	15,022	1,397	5,737	675	22,831
Transfer from capital work in progress (note 9)	756,809	-	-	-	756,809
At 31 December 2007	**2,149,147**	**8,190**	**21,850**	**2,780**	**2,181,967**
Depreciation:					
At 1 January 2007	104,452	5,028	8,905	1,401	119,786
Charge for the year	40,159	994	2,339	304	43,796
At 31 December 2007	**144,611**	**6,022**	**11,244**	**1,705**	**163,582**
Net carrying amount at 31 December 2007 before provision for impairment in value	2,004,536	2,168	10,606	1,075	2,018,385
Provision for impairment	(197)	-	-	-	(197)
Net carrying amount:					
At 31 December 2007	**2,004,339**	**2,168**	**10,606**	**1,075**	**2,018,188**

10 PROPERTY, PLANT AND EQUIPMENT continued

	Land, plant and buildings AED '000	*Furniture and fixtures AED '000*	*Office equipment and instruments AED '000*	*Motor vehicles AED '000*	*Total AED '000*
2006					
Cost:					
At 1 January 2006	1,093,134	6,599	15,169	2,099	1,117,001
Additions	62,147	235	959	44	63,385
Transfer from capital work in progress (note 9)	733,461	-	-	-	733,461
Disposals	(511,426)	(41)	(15)	(38)	(511,520)
At 31 December 2006	1,377,316	6,793	16,113	2,105	1,402,327
Depreciation:					
At 1 January 2006	101,548	3,889	6,318	1,138	112,893
Charge for the year	55,367	1,154	2,590	294	59,405
Disposals	(52,463)	(15)	(3)	(31)	(52,512)
At 31 December 2006	104,452	5,028	8,905	1,401	119,786
Net carrying amount at 31 December 2006 before provision for impairment in value	1,272,864	1,765	7,208	704	1,282,541
Provision for impairment	(197)	-	-	-	(197)
Net carrying amount:					
At 31 December 2006	1,272,667	1,765	7,208	704	1,282,344

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

	2007 AED '000	*2006 AED '000*
Included in operating costs	**37,721**	52,068
Included in other administrative expenses	**5,759**	5,748
Included in capital work in progress	**316**	1,589
	43,796	59,405

At 31 December 2007, the net book value of plants held as security against interest bearing loans and borrowings (note 24) and an Islamic Ijara loan (note 25) under sale and leaseback Ijara financing arrangements amounted to AED 1,708 million (2006: AED 1,169 million). The plants are constructed on land which has been granted to Tabreed and its subsidiaries at nominal or no cost to them.

Net book value of plant amounting to AED 55.4 million (2006: AED 55.8 million) are held under finance lease. The leased assets are pledged as security for the related finance lease (note 26).

Included in land, plant and buildings is an amount of AED 11.1 million (2006: AED 11.1 million) relating to cost of freehold land purchased by Tabreed in the Emirate of Ajman for the purpose of constructing a district cooling plant.

11 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership 2007	2006
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	State of Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Jordanian Company for Central Energy (PLS)	Jordan	**50%**	50%
Sahara Cooling Limited	United Arab Emirates	**40%**	-

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

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

	2007 AED '000	2006 AED '000
Share of the associates' balance sheets:		
Current assets	**172,129**	54,877
Non-current assets	**501,545**	169,269
Current liabilities	**(98,317)**	(9,890)
Non-current liabilities	**(379,164)**	(104,816)
Net assets	**196,193**	109,440
Share of the associates' revenues and results:		
Revenues	**46,409**	12,512

	2007 AED '000	2006 AED '000
Results (as adjusted by profit resulting from transactions between the Company and the associates amounting to AED 2.5 million (2006: nil)	**12,077**	1,617
Carrying amount of the investments	**193,690**	109,440

Management believe that the carrying value of the investments will be realised in full.

Tabreed invested an amount of AED 74.6 million (2006: AED 61.8 million) representing its share of share capital issued by the associates during the year as follows:

	2007 AED '000	2006 AED '000
Qatar Central Cooling Company PJSC	**53,628**	39,549
Tabreed District Cooling Company (Saudi)	**-**	11,764
Jordanian Company for Central Energy (PLS)	**-**	10,508
Sahara Cooling Limited	**21,048**	-
	74,676	61,821

12 INTEREST IN JOINT VENTURE

Tabreed has a 51% equity interest in SNC Lavalin Gulf Contractors LLC, a jointly controlled limited liability company which is involved in engineering, procurement, construction and construction management in the field of District Cooling. As all construction activity relates to the Company, no revenues or expenses of the joint venture for the years ended 31 December 2007 and 2006 are included in the consolidated income statement. The Company's share of the unrealised gain arising from the joint venture's profit for the year amounts to AED 39 million (2006: AED 46 million) and is credited against the capital work in progress balance during the year.

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

	2007 ***AED '000***	*2006* *AED '000*
Current assets	**214,591**	158,819
Non-current assets	**165**	369
	214,756	159,188
Current liabilities	**(170,439)**	(113,499)
Non-current liabilities	**(879)**	(8,459)
Total	**43,438**	37,230

13 INTANGIBLE ASSETS

	Goodwill		*Trademarks*		*Total*	
	2007 ***AED '000***	*2006* *AED '000*	***2007*** ***AED '000***	*2006* *AED '000*	***2007*** ***AED '000***	*2006* *AED '000*
Balance at 1 January	**38,334**	38,334	**-**	2	**38,334**	38,336
Additions during the year	**-**	-	**13**	-	**13**	-
Amortisation for the year	**-**	-	**(3)**	(2)	**(3)**	(2)
Balance at 31 December	**38,334**	38,334	**10**	-	**38,344**	38,334

14 IMPAIRMENT TESTING OF GOODWILL

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

	2007 and 2006 ***AED '000***
Ian Banham & Associates	**27,711**
Tabreed 1 District Cooling Plant	**9,712**
Other	**911**
Total	**38,334**

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

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

14 IMPAIRMENT TESTING OF GOODWILL continued

Ian Banham & Associates
The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections prepared by an external consultant in the year ended 31 December 2004 and updated by the senior management to cover a five-year period ending 31 December 2012. The discount rate applied to the cash flow projections is 25% (2006: 25%). Revenue is earned from projects supervision and study and design contracts. The revenue in the five year cash flow model reflects the expected growth in the real estate sector of the UAE on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. At a discount rate of 25%, assuming no increase in net income from the original cash flow projections prepared by an external consultant in the year ended 31 December 2004, the goodwill would still not be impaired. Consequently, management believes no reasonable change in the revenue, cost and discount rate assumptions would cause the carrying amount of goodwill to exceed its recoverable amount.

Tabreed 1 District Cooling Plant
The recoverable amount of Tabreed 1 District Cooling Plant unit is also determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on signed contract with customer for a period of 20 years. As the useful life of the plant is assessed as 30 years by an independent consultant during the year, the Company has used the remaining useful life of the plant of 24 years at the year end in the model based on rates currently agreed with the customer. The management is confident that the current 20 year contract with the customer will be extended for the remaining useful life of the plant. The operating costs mainly represent cost of utilities to operate the plant and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 9.4%. (2006: 9.4%). A general price inflation level of 5% (2006: 3%) has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates. Given the headroom in the cash flow projections, management believes no reasonable change in the revenue, cost and discount rate assumptions would cause the carrying amount of goodwill to exceed its recoverable amount.

15 LOAN TO AN ASSOCIATE

During the year, the Company has granted a loan of AED 42 million (2006: nil) to Sahara Cooling Limited, an associate company. The loan is unsecured and interest is charged at LIBOR + 0.85%. The amount is not expected to be repaid within twelve months from the balance sheet date.

16 TRADE AND OTHER RECEIVABLES

	2007	*2006*
	AED '000	*AED '000*
Trade receivables	**234,412**	182,115
Receivable from a related party on disposal of property, plant and equipment	**23,197**	525,000
Amounts due from other related parties	**30,852**	10,270
Other receivables	**26,516**	162,393
	314,977	879,778

As at 31 December 2007, trade receivables at nominal value of AED 3.8 million (2006: AED 3.8 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2007	*2006*
	AED '000	*AED '000*
At 1 January	**3,807**	7,793
Charge for the year	**75**	1,445
Amounts written off	**(111)**	(5,431)
At 31 December	**3,771**	3,807

16 TRADE AND OTHER RECEIVABLES continued

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

			Past due but not impaired				
	Total AED	*Neither past due nor impaired AED*	*< 30 days AED*	*30 – 60 days AED*	*60 – 90 day AED*	*90 – 120 AED*	*>120 days AED*
2007	**234,412**	**116,704**	**29,345**	**31,164**	**11,303**	**7,203**	**38,693**
2006	182,115	95,914	13,400	15,749	14,243	13,951	28,858

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 – 45 days terms.

For terms and conditions relating to related party receivables, refer to note 29.

17 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

Financial assets carried at fair value through income statement comprise of investments in several managed funds. These investments are classified under this category as they are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

18 CONTRACT WORK IN PROGRESS

	2007 AED '000	*2006 AED '000*
Cost plus attributable profit	**400,631**	286,408
Less: progress billings	**(221,600)**	(174,461)
	179,031	111,947

19 CASH AND CASH EQUIVALENTS

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

	2007 AED '000	*2006 AED '000*
Bank balances and cash	**172,378**	645,106
Short term deposits	**257,884**	221,404
	430,262	866,510
Bank overdraft	**(61,626)**	(280,322)
	368,636	586,188

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day to three months, depending on the immediate cash requirements of the Group.

The bank overdraft facility is secured against corporate guarantee and letter of awareness from the Company and pledge over short term deposits of AED 26.8 million (2006: AED 26.8 million).

20 SHARE CAPITAL

	2007 AED '000	2006 AED '000
Authorised, issued and fully paid up share capital		
1,134,000,000 ordinary shares at AED 1 each (31 December 2006: 1,050,000,000 ordinary shares of 1 each)	**1,134,000**	1,050,000

At the Annual General Meeting held in April 2007, the shareholders approved the issue of bonus shares amounting to AED 84 million. The registration of the bonus shares was completed in Company's share register on 6th May 2007. Legal formalities are in progress to revise the Articles of Association of the Company for the increase in the share capital.

21 TREASURY SHARES AND SHARE-BASED PAYMENTS

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

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

Share based payments
The employee incentive scheme ('the scheme') grants notional units of the Company's ordinary shares to qualifying employees on recommendation of the remuneration committee of the Company. These notional units of the Company's ordinary shares can be settled in cash in accordance with the terms of the scheme.

At 31 December 2007, the employee incentive scheme had outstanding notional units of the Company's ordinary shares analysed as follows:

	No. of shares 2007	2006
At 1 January	**1,531,374**	1,203,540
Notional units of the Company's ordinary shares granted during the year	**557,675**	651,600
Exercised during the year	**(473,059)**	(323,766)
At 31 December	**1,615,990**	1,531,374

The weighted average fair value of notional units granted during the year was AED 3.37 (2006: AED 3.6).

The employee incentive scheme liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable (refer below).

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

	2007 AED '000	2006 AED '000
Other administrative expenses	**(310)**	844
Capital work in progress	**(40)**	1,900

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

22 STATUTORY AND OTHER RESERVES

Statutory reserve
As required by the U.A.E. 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 transfer for the year represents 10% of the profit of Tabreed before accounting for Tabreed's share in the results of its subsidiaries, and Tabreed's share in the subsidiaries' statutory reserves transferred for the year. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

Other reserves

	Cumulative changes in fair value of derivatives AED '000	*Cumulative changes in available for sale investments AED '000*	*Total AED '000*
Balance at 1 January 2006	3,800	-	3,800
Net movement in fair value of cash flow hedges	5,700	-	5,700
Balance at 31 December 2006	9,500	-	9,500
Net movement in fair value of cash flow hedges	(24,616)	-	(24,616)
Gain on revaluation of available for sale investment	-	6,607	6,607
Balance at 31 December 2007	**(15,116)**	**6,607**	**(8,509)**

23 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The Board of Directors has proposed a bonus share dividend at the rate of 7% (2006: 8%) amounting to AED 79 million (2006: AED 84 million). The bonus share dividend will be submitted for approval at the Annual General Meeting in 2008.

No remuneration is proposed for the members of the Board of Directors for the year ended 31 December 2007 (2006: AED 3.15 million).

24 FLOATING RATE INTEREST BEARING LOANS AND BORROWINGS

	2007 *AED '000*	*2006* *AED '000*
Current		
Term loan 1	**250**	250
Term loan 2	**4,583**	4,583
Term loan 3	**2,389**	500
Term loan 4	**2,742**	-
Term loan 5, net of prepaid finance costs	**47,631**	35,669
Other loan	**-**	22
	57,595	41,024
Non-current		
Term loan 1	**125**	375
Term loan 2	**67,210**	71,795
Term loan 3	**9,558**	4,500
Term loan 4	**134,348**	91,873
Term loan 5, net of prepaid finance costs	**514,416**	520,287
Term loan 6, net of prepaid finance costs	**367,085**	-
	1,092,742	688,830

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

25 ISLAMIC FINANCING ARRANGEMENTS

	Profit charge *%*	*2007* *AED '000*	*2006* *AED '000*
Current			
Islamic Ijara	EIBOR + margin	**-**	121,384
Islamic Muqawala 1	EIBOR + margin	**-**	108,288
Islamic Muqawala 2	11.7%	**8,334**	8,334
		8,334	238,006
Non-current			
Islamic Ijara 1, net of prepaid finance costs	5.5%	**186,467**	185,559
Islamic Istisna'a 1, net of prepaid finance costs	5.5%	**177,899**	175,836
Islamic Istisna'a 2, net of prepaid finance costs	LIBOR + margin	**728,173**	721,708
Muqawala 2	11.7%	**7,308**	15,641
		1,099,847	1,098,744

Istisna'a is a sales contract between a contract owner (the Islamic financing institution) and a contractor (the Company) whereby the contractor, based on an order from the contract owner, undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time. The Islamic financing arrangements are secured by an assignation of the plant purchased under the Islamic financing arrangement and a joint credit and Islamic loan facility agreement.

26 OBLIGATIONS UNDER FINANCE LEASE

During 2006, the Company entered into a sale and lease back agreement with a third party relating to certain plant (note 10) for an amount of AED 55.8 million. The lease carries interest at an effective rate of 9.5% per annum and is repayable in monthly instalments over a period of 12 years.

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

	2007		*2006*	
	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**	**2,975**	7,749	2,706
After one year but not more than five years	**30,994**	**15,158**	30,994	13,790
After five years	**43,262**	**33,477**	51,011	37,820
	82,005	**51,610**	89,754	54,316
Less: amounts representing finance charges	**(30,395)**	**-**	(35,438)	-
Present value of minimum lease payments	**51,610**	**51,610**	54,316	54,316

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

	2007 AED '000	*2006 AED '000*
Current	**2,975**	2,706
Non-current	**48,635**	51,610
	51,610	54,316

27 EMPLOYEES' END OF SERVICE BENEFITS

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

	2007 AED '000	*2006 AED '000*
Balance at 1 January	**8,225**	7,884
Net movement during the year	**3,042**	341
Balance at 31 December	**11,267**	8,225

28 ACCOUNTS PAYABLE AND ACCRUALS

	2007 AED '000	*2006 AED '000*
Amounts due in more than one year		
Retentions payable	**52,496**	10,672
Deferred income	**24,948**	25,796
	77,444	36,468

28 ACCOUNTS PAYABLE AND ACCRUALS continued

	2007 AED '000	2006 AED '000
Amounts due in less than one year		
Accounts payable	**233,762**	142,854
Retentions payable	**31,418**	39,331
Deferred income	**1,239**	1,239
Due to related parties	**57,687**	-
Accrued expenses	**240,375**	164,299
Other payables	**108,423**	81,832
	672,904	429,555

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 29.

29 RELATED PARTY TRANSACTIONS

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

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

	2007				2006			
	Revenue AED'000	Other expenses AED'000	Fees for management services AED'000	Interest income AED'000	Revenue AED'000	Other expenses AED'000	Fees for management services AED'000	Interest income AED'000
Associated companies	**21**	**70,006**	**6,290**	**463**	125	-	3,860	-

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

	2007			2006		
	Loan receivable AED '000	Other receivables AED '000	Other payables AED '000	Loan receivable AED '000	Other receivables AED '000	Other payables AED '000
Associated companies	**42,029**	**44,926**	**57,687**	-	529,025	-
Other related parties	**-**	**9,123**	**-**	-	6,245	-
	42,029	**54,049**	**57,687**	-	535,270	-

Terms and conditions of transactions with related parties
Transactions from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free, except for loan to an associate (note 15), and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2007, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2006: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

29 RELATED PARTY TRANSACTIONS continued

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

	2007	*2006*
	AED '000	*AED '000*
Short-term benefits	**30,416**	23,416
Employees' end of service benefits	**1,764**	861
	32,180	24,277
Number of key management personnel	**64**	48

30 CONTINGENCIES

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

	2007	*2006*
	AED '000	*AED '000*
Performance guarantees	**28,695**	30,150
Advance payment guarantees	**70**	70
Financial guarantees	**3,922**	1,598
	32,687	31,818

The Company's share of contingencies of the joint venture as of 31 December 2007 amounted to AED 0.4 million (2006: AED 0.3 million).

The Company's share of contingencies of the associates as of 31 December 2007 amounted to AED 1.1 million (2006: AED 1.4 million).

31 CAPITAL COMMITMENTS

Capital commitments
The Board of Directors has authorised future capital expenditure amounting to AED 2,962 million (2006: AED 2,193 million). Included in this amount is AED 2,041 million (2006: AED 1,436 million) which is expected to be incurred within one year from the balance sheet date.

The Group also had commitments of AED 1,105 million (2006: AED nil) in relation to the Group's interest in the joint venture investments.

32 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, and trade payables. The main purpose of these financial liabilities is to raise finance for the Company's operations and construction activity. The Group has various financial assets such as trade receivables, financial assets carried at fair value through income statement and cash and short-term deposits, which arise directly from its operations.

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

It is, and has been throughout 2007 and 2006 the Group's policy that no trading in derivatives shall be undertaken.

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

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this risk, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2007, after taking into account the effect of interest rate swaps, approximately 65% of the Group's borrowings are at a fixed rate of interest (2006: 66%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year relating to un-hedged portion of floating rate borrowings.

	Effect on profit *AED '000*
2007	
+5 increase in basis points	**294**
-5 decrease in basis points	**(294)**
2006	
+5 increase in basis points	(328)
-5 decrease in basis points	328

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

Credit risk
The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 16. The Group's three largest customers account for approximately 39% of outstanding trade receivable balance at 31 December 2007 (2006: 3 customers - 59%).

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, and certain derivative instruments, the Company'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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market price risk

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

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

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

	Change in net asset value	*31 December 2007 Impact on profit AED '000*	*31 December 2006 Impact on profit AED '000*
Financial assets carried at fair value through income statement	5%	**5,870**	5,402

There is no impact on equity.

Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. The Company's policy is that not more than 20% of borrowings should mature in the next 12 month period. 6% of the Company's debt will mature in less than one year at 31 December 2007 (2006: 23%) based on the carrying value of borrowings reflected in the financial statements. At 31 December 2007, unutilised interest bearing loans and borrowings facilities available to the Company amounted to AED 13 million (2006: AED 119.3 million).

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on undiscounted payments and current market interest rates.

	On demand	*Less than 3 months AED '000*	*3 to 12 months AED '000*	*1 to 5 years AED '000*	*> 5 years AED '000*	*Total AED '000*
At 31 December 2007						
Derivative financial instruments	**-**	**-**	**-**	**13,139**	**9,395**	**22,534**
Interest bearing loans and borrowings	**-**	**2,094**	**126,561**	**867,337**	**492,080**	**1,488,072**
Obligations under finance leases	**-**	**1,937**	**5,812**	**30,994**	**43,262**	**82,005**
Islamic financing arrangements	**-**	**3,840**	**62,457**	**1,264,443**	**-**	**1,330,740**
Accounts payable and other financial liabilities	**-**	**379,344**	**29,412**	**52,496**	**-**	**461,252**
Bank overdraft	**61,626**	**-**	**-**	**-**	**-**	**61,626**
	61,626	**387,215**	**224,242**	**2,228,409**	**544,737**	**3,446,229**
At 31 December 2006						
Derivative financial instruments	-	-	-	3,371	1,964	5,335
Interest bearing loans and borrowings	-	2,094	101,712	451,360	575,029	1,130,195
Obligations under finance leases	-	1,937	5,812	30,994	51,011	89,754
Islamic financing arrangements	-	3,821	305,401	1,326,150	-	1,635,372
Accounts payable and other financial liabilities	-	225,470	33,212	10,672	-	269,354
Bank overdraft	280,322	-	-	-	-	280,322
	280,322	233,322	446,137	1,822,547	628,004	3,410,332

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

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

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

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

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

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

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

	2007	*2006*
	AED '000	*AED '000*
Interest bearing loans and borrowings	**1,150,337**	729,854
Islamic financing arrangements	**1,108,181**	1,336,750
Obligation under finance lease	**51,610**	54,316
	2,310,128	2,120,920
Less: cash and cash equivalents	**368,636**	586,188
Net debt	**1,941,492**	1,534,732
Equity	**1,241,884**	1,187,757
Add / (less): net unrealised gains reserve	**8,509**	(9,500)
Total capital	**1,250,393**	1,178,257
Capital and net debt	**3,191,885**	2,712,989
Gearing ratio	**61%**	57%

33 FINANCIAL INSTRUMENTS

Fair values

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

	Carrying amount		*Fair value*	
	2007	*2006*	***2007***	*2006*
	AED '000	*AED '000*	***AED '000***	***AED '000***
Obligations under finance lease	**51,610**	54,316	**55,282**	58,278
Islamic financing arrangements	**380,008**	385,370	**406,844**	406,878

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

Hedging activities

Cash flow hedges

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

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

A schedule indicating as at 31 December 2007 the periods when the hedged cash flows are expected to occur and when they are expected to effect the consolidated income statement is as follows:

	Within 1 year	*1–3 years*	*3–8 years*	*Over 8 years*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Cash inflows (assets)	**-**	**110**	**7,308**	**-**	**7,418**
Cash outflows (liabilities)	**-**	**-**	**(22,534)**	**-**	**(22,534)**
Net cash inflow (outflow)	**-**	**110**	**(15,226)**	**-**	**(15,116)**

The net gain on cash flow hedges reclassified to the income statement during the year amounts to AED 270 thousand (2006: AED 665 thousand).

33 FINANCIAL INSTRUMENTS continued

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

		2007			*2006*	
Derivatives held as cash flow hedges	***Assets AED '000***	***Liabilities AED '000***	***Notional amount AED '000***	*Assets AED '000*	*Liabilities AED '000*	*Notional amount AED '000*
Interest rate swaps and interest rate swaps with a cap	**7,418**	**22,534**	**1,500,806**	14,835	5,335	1,316,458

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

The Company's share of outstanding forward foreign exchange commitments of the joint venture at the year end amounted to approximately AED 86.2 million (2006: AED 48.9 million). The terms of the forward foreign exchange contracts match the terms of the commitments. The Company's share of the positive changes in fair value of the forward foreign exchange contracts amounting to AED 4 million (2006: AED 0.9 million) have been recognised within other receivables.

National Central Cooling Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CENTRAL COOLING COMPANY PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2006 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

Signed by
Bassam E Hage
Partner
Ernst & Young
Registration No. 258

19 February 2007
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2006

	Notes	**2006** AED '000	2005 AED '000
Revenue	3	**469,995**	400,904
Operating costs		**(280,975)**	(248,988)
GROSS PROFIT		**189,020**	151,916
Salaries and staff related costs		**(37,001)**	(30,753)
Other administrative expenses		**(47,561)**	(38,595)
Provision for impairment of property, plant and equipment	9	**(197)**	-
Finance costs		**(51,305)**	(35,433)
Other income	4	**70,684**	20,034
Share of results of associates	10	**1,617**	478
PROFIT FOR THE YEAR	5	**125,257**	67,647
Attributable to:			
Equity holders of the parent		**104,406**	51,140
Minority interests		**20,851**	16,507
		125,257	67,647
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	6	**0.10**	0.05

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Notes	2006 AED '000	2005 AED '000
ASSETS			
Non-current assets			
Capital work in progress	8	**755,482**	642,921
Property, plant and equipment	9	**1,282,344**	1,004,108
Investments in associates	10	**109,440**	46,002
Intangible assets	12	**38,334**	38,336
Available for sale investments		**1,880**	-
		2,187,480	1,731,367
Current assets			
Inventories		**27,235**	17,651
Trade and other receivables	14	**879,778**	208,080
Financial assets carried at fair value through income statement	15	**108,032**	76,269
Contract work in progress	16	**111,947**	69,211
Prepayments		**4,203**	3,253
Bank balances and cash	17	**866,510**	520,032
		1,997,705	894,496
Assets classified as held for sale		**-**	17,867
		1,997,705	912,363
TOTAL ASSETS		**4,185,185**	2,643,730
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	18	**1,050,000**	1,000,000
Treasury shares	19	**(10,050)**	(10,050)
Statutory reserve	20	**27,303**	14,544
Retained earnings		**27,378**	22,881
Cumulative changes in fair value of derivatives	30	**9,500**	3,800
Reserve for proposed bonus issue	21	**84,000**	50,000
Foreign currency translation reserve		**(374)**	-
		1,187,757	1,081,175
Minority interests		**121,938**	64,601
Total equity		**1,309,695**	1,145,776
Non-current liabilities			
Accounts payable and accruals	26	**36,468**	10,604
Term loans	22	**688,830**	382,068
Islamic Ijara loans	23	**185,559**	306,348
Islamic Istisna'a loans	23	**897,544**	174,486
Islamic Muqawala loans	23	**15,641**	132,263
Obligations under finance lease	24	**51,610**	-
Employees' end of service benefits	25	**8,225**	7,884
		1,883,877	1,013,653
Current liabilities			
Accounts payable and accruals	26	**429,555**	318,919
Bank overdraft	17	**280,322**	111,933
Term loans	22	**41,024**	23,758
Islamic Ijara loans	23	**121,384**	15,514
Islamic Muqawala loans	23	**116,622**	14,177
Obligations under finance lease	24	**2,706**	-
		991,613	484,301
Total liabilities		**2,875,490**	1,497,954
TOTAL EQUITY AND LIABILITIES		**4,185,185**	2,643,730

Mohamed Saif Al Mazrouei
CHAIRMAN

Dany Safi
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2006

	Notes	*2006* *AED '000*	*2005* *AED '000*
OPERATING ACTIVITIES			
Profit for the year		**125,257**	67,647
Adjustment for:			
Depreciation	9	**59,405**	43,404
Amortisation of trademarks	12	**2**	12
Provision for impairment loss relating to goodwill	12	**-**	594
Provision for impairment loss relating to property, plant and equipment	9	**197**	-
Net movement in employees' end of service benefits	25	**341**	2,280
Share of results of associates	10	**(1,617)**	(478)
Interest income	4	**(10,983)**	(9,764)
Finance costs		**51,305**	35,433
Changes in fair value relating to financial assets carried at fair value through income statement	4	**(6,472)**	(5,486)
Gain on disposal of property, plant and equipment to a related party	4	**(40,552)**	-
Gain on disposal of assets classified as held for sale	4	**(682)**	-
Profit on sale of property, plant and equipment		**-**	(84)
		176,201	133,558
Working capital changes:			
Inventories		**(9,584)**	(9,233)
Accounts receivable and prepayments		**(141,948)**	(64,941)
Contract work in progress		**(42,736)**	1,246
Accounts payable and accruals		**105,941**	167,118
Net cash from operations		**87,874**	227,748
Interest paid		**(51,305)**	(35,433)
Net cash from operating activities		**36,569**	192,315
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(63,385)**	(26,088)
Proceeds from sale of property, plant and equipment		**1,595**	193
Proceeds from sale of assets classified as held for sale		**18,549**	-
Additional goodwill arising on acquisition of subsidiary	12	**-**	(8,898)
Investments in associates	10	**(61,821)**	(27,005)
Purchase of financial assets carried at fair value through income statement		**(55,262)**	(70,783)
Proceeds on disposal of financial assets carried at fair value through income statement		**29,971**	-
Additions to capital work in progress, net of advances		**(846,022)**	(577,465)
Purchase of available for sale investments		**(1,880)**	-
Interest received	4	**10,983**	9,764
Net cash used in investing activities		**(967,272)**	(700,282)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT continued
Year ended 31 December 2006

	Notes	2006 AED '000	2005 AED '000
FINANCING ACTIVITIES			
Share capital received		**-**	500,000
Minority interest in increase in share capital of subsidiaries		**48,861**	36,264
Contribution to treasury shares		**-**	(5,000)
Dividends paid to equity holders of the parent		**-**	(25,000)
Dividends paid to minority interests		**(12,375)**	(2,700)
Term loans received		**372,331**	208,081
Term loans repaid		**(50,432)**	(28,822)
Payment for obligations under finance lease		**(1,493)**	-
Islamic Ijara loans repaid		**(15,514)**	(9,396)
Islamic Muqawala loans received		**-**	18,757
Islamic Muqawala loans repaid		**(14,177)**	(2,464)
Islamic Istisna'a loans received		**734,800**	-
Changes in prepaid finance cost		**(9,018)**	(1,543)
Proceeds from sale and lease back of property, plant and equipment under finance lease		**55,809**	-
Net cash from financing activities		**1,108,792**	688,177
INCREASE IN CASH AND CASH EQUIVALENTS		**178,089**	180,210
Cash and cash equivalents at 1 January		**408,099**	227,889
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**586,188**	408,099

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

	2006	2005
Accounts receivable and prepayments – fair value adjustment for derivatives	**5,700**	10,219
Transfer from capital work in progress to property, plant and equipment	**733,461**	266,506
Transfer from property, plant and equipment to assets held for sale	**-**	17,867
Bonus share issue	**50,000**	-
Foreign currency translation reserve	**374**	-
Receivable from a related party on disposal of property, plant and equipment	**525,000**	-
Accounts payables and accruals – deferred income	**27,035**	-
Accounts payables and accruals – provision for board of directors' remuneration	**3,150**	-

The attached notes 1 to 32 form part of these consolidated financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2006

	Attributable to equity holders of the parent										
	Share capital AED '000	*Treasury shares AED '000*	*Statutory reserve AED '000*	*Retained earnings AED '000*	*Cumulative changes in fair value of derivatives AED '000*	*Reserve for proposed bonus issue AED '000*	*Proposed dividends AED '000*	*Foreign currency translation reserve AED '000*	*Total AED '000*	*Minority interests AED '000*	*Total equity AED '000*
Balance at 1 January 2005	500,000	(5,050)	7,914	28,371	(6,419)	-	25,000	-	549,816	14,530	564,346
Net movement in fair value of cash flow hedges	-	-	-	-	10,219	-	-	-	10,219	-	10,219
Total income and expense for the year recognised directly in equity	-	-	-	-	10,219	-	-	-	10,219	-	10,219
Profit for the year	-	-	-	51,140	-	-	-	-	51,140	16,507	67,647
Total income for the year	-	-	-	51,140	10,219	-	-	-	61,359	16,507	77,866
Increase in share capital	500,000	-	-	-	-	-	-	-	500,000	36,264	536,264
Transfer to statutory reserve	-	-	6,630	(6,630)	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(25,000)	-	(25,000)	(2,700)	(27,700)
Contribution to treasury shares	-	(5,000)	-	-	-	-	-	-	(5,000)	-	(5,000)
Proposed bonus issue	-	-	-	(50,000)	-	50,000	-	-	-	-	-
Balance at 31 December 2005	1,000,000	(10,050)	14,544	22,881	3,800	50,000	-	-	1,081,175	64,601	1,145,776
Balance at 1 January 2006	1,000,000	(10,050)	14,544	22,881	3,800	50,000	-	-	1,081,175	64,601	1,145,776
Net movement in fair value of cash flow hedges	-	-	-	-	5,700	-	-	-	5,700	-	5,700
Exchange difference arising on translation of foreign currency operations	-	-	-	-	-	-	-	(374)	(374)	-	(374)
Total income and expense for the year recognised directly in equity	-	-	-	-	5,700	-	-	(374)	5,326	-	5,326
Profit for the year	-	-	-	104,406	-	-	-	-	104,406	20,851	125,257
Total income and expense for the year	-	-	-	104,406	5,700	-	-	(374)	109,732	20,851	130,583
Bonus shares issued	50,000	-	-	-	-	(50,000)	-	-	-	-	-
Transfer to statutory reserve	-	-	12,759	(12,759)	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(12,375)	(12,375)
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	48,861	48,861
Proposed bonus issue	-	-	-	(84,000)	-	84,000	-	-	-	-	-
Board of directors' remuneration	-	-	-	(3,150)	-	-	-	-	(3,150)	-	(3,150)
Balance at 31 December 2006	**1,050,000**	**(10,050)**	**27,303**	**27,378**	**9,500**	**84,000**	-	**(374)**	**1,187,757**	**121,938**	**1,309,695**

The attached notes 1 to 32 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 U.A.E. Commercial Companies Law No. 8 of 1984 (as amended). The principal objectives of the Company are to construct, own, assemble, install, operate and maintain cooling and conditioning systems. In addition, the Company's objectives include to distribute and sell chilled water for use in district cooling technologies.

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 19 February 2007.

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments, share-based payments, financial assets carried at fair value through income statement and available for sale investments.

Basis of consolidation

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies are consistent with those used in the previous year except that the Company has adopted the following revised standards and IFRIC interpretations mandatory for financial years beginning on or after 1 January 2006:

- IAS 21 *The Effect of Changes in Foreign Exchange Rates*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 4 *Determining whether an Arrangement contains a Lease*

The principal effects of these changes in policies are discussed below:

- IAS 21 *The Effect of Changes in Foreign Exchange Rates*

As of 1 January 2006, the Company adopted the amendments to IAS 21. As a result, all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised as a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This change has had no significant impact on the consolidated financial statements as at 31 December 2006 or 31 December 2005.

- IAS 39 *Financial Instruments: Recognition and Measurement*

As of 1 January 2006, the Company adopted the amendments to IAS 39. This amendment restricts use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. Refer to notes 2.3 and 2.4.

- IFRIC 4 *Determining Whether an Arrangement contains a Lease*

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be adopted. This change in accounting policy has had no significant impact on the consolidated financial statements as at 31 December 2006 or 31 December 2005.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

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

Classification of investments

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

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

IFRIC 4 Determining whether an Arrangement contains a Lease

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

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

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

Impairment of goodwill
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was AED 38 million (2005: AED 38 million). More details are given in notes 12 and 13.

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

At the balance sheet date, gross trade accounts receivable were AED 185.9 million (2005: AED 168.4 million), and the provision for doubtful debts was AED 3.8 million (2005: AED 7.8 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

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

At the balance sheet date, gross inventory was AED 27.2 million (2005: AED 17.6 million). No provision has been made for obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated income statement.

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

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

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

When an uncertainty arises about the collectability of an amount already included in contract revenue and already recognised in the consolidated income statement, the uncollectable amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Capital work in progress
Capital work in progress is recorded at cost which represents the contractual obligations of the Company for the construction of the plant. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

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

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and buildings	over 25 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 carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments in associates
The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the consolidated balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Company's share of the results of its associates.

Interest in joint venture
The Company's interest in its joint venture is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

When the Company purchases assets from the joint venture, the Company does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

Intangible assets
Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Company's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Available for sale investments
Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories for financial assets. After initial measurement, available for sale financial assets are measured at fair value with unrealised gains or losses being recognised as a separate component under equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated income statement for the period. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the consolidated income statement as "Dividends received" when the right of payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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.

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

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

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

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 a continuing use.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Provisions
Provisions are recognised when the Company and its subsidiaries have 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.

Term loans and Islamic loans
Term loans and Islamic loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, term loans and Islamic loans are subsequently measured at amortised cost using the effective interest method. Interest on term loans and profit charges on Islamic financing arrangements are charged as an expense or capitalised as part of capital work in progress as they accrue, with unpaid amounts included in "accounts payable and accruals".

Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process.

Leases
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased asset or, if lower, 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 recognised directly 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 Company will obtain ownership by the end of the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employees' end of service benefits
The Company 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 Company makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

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

Derivative financial instruments
The Company uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate and currency fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap and cap contracts is determined by reference to market values for similar instruments. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated balance sheet.

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 highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

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

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the consolidated income statement. Amounts taken to equity are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

The assets and liabilities of foreign subsidiaries are translated into UAE Dirhams at the rate of exchange ruling at the balance sheet date and the income statement is translated at the average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity.

Financial instruments
Financial instruments comprise financial assets and financial liabilities.

Financial assets comprise investments in associates, available for sale investments, financial assets carried at fair value through income statement, receivables, deposits and bank balances and cash. Financial liabilities comprise payables, bank overdraft, loans and finance leases.

Fair values of financial instruments are based on estimated fair values using methods such as the net present value of future cash flows.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices.

2.5 IASB STANDARDS AND INTERPRETATIONS ISSUED BUT NOT ADOPTED

The following IASB Standards and Interpretations have been issued / amended but are not yet mandatory, and have not yet been adopted by the Company:

Standards:

IFRS 7	*Financial Instruments: Disclosures*
IFRS 8	*Operating Segments*
IAS 1	*Amendment – Presentation of Financial Statements*

IFRS 7 Financial Instruments: Disclosures
The application of IFRS 7, which will be effective for annual periods beginning on or after 1 January 2007, will require disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.

IFRS 8 Operating Segments
The application of IFRS 8, which will be effective for annual periods beginning on or after 1 January 2009, may require changes in the way the Company discloses information about its operating segments.

IAS 1 Amendment - Presentation of Financial Statements
The application of amendment to IAS 1, which will be effective for annual periods beginning on or after 1 January 2007, will result in new disclosures to enable users of the consolidated financial statements to evaluate the Company's objectives, policies and processes for managing capital.

IFRIC interpretations:

- IFRIC 8 — *Scope of IFRS 2*
- IFRIC 11 — *IFRS 2 – Group and Treasury Shares Transaction*

Management does not expect these interpretations to have a significant impact on the Company's consolidated financial statements when implemented in 2007.

3 SEGMENTAL ANALYSIS

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

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

The 'chilled water' segment operates and maintains cooling and conditioning systems.

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

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

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

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

	Services	*Chilled water*	*Contracting*	*Manufacturing*	*Eliminations*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2006						
Revenue						
External revenue	**68,640**	**175,003**	**100,983**	**125,369**	**-**	**469,995**
Inter–segment sales	**6,345**	**-**	**-**	**-**	**(6,345)**	**-**
Total revenue	**74,985**	**175,003**	**100,983**	**125,369**	**(6,345)**	**469,995**
Result						
Segment result	**32,745**	**73,124**	**22,104**	**28,904**	**613**	**157,490**
Finance costs	**-**	**-**	**-**	**-**	**-**	**(51,305)**
Interest and investment income	**-**	**-**	**-**	**-**	**-**	**17,455**
Share of results of associates	**-**	**-**	**-**	**-**	**-**	**1,617**
Minority interests	**-**	**-**	**-**	**-**	**-**	**(20,851)**
Profit for the year attributable to equity holders of the parent						**104,406**
2005						
Revenue						
External revenue	37,838	133,128	109,317	120,621	-	400,904
Inter–segment sales	9,690	-		-	(9,690)	-
Total revenue	47,528	133,128	109,317	120,621	(9,690)	400,904
Result						
Segment result	15,647	21,058	21,395	32,163	(2,911)	87,352
Finance costs	-	-	-	-	-	(35,433)
Interest and investment income	-	-	-	-	-	15,250
Share of results of associates	-	-	-	-	-	478
Minority interests	-	-	-	-	-	(16,507)
Profit for the year attributable to equity holders of the parent						51,140

3 SEGMENTAL ANALYSIS continued

2006	*Services* AED '000	*Chilled water* AED '000	*Contracting* AED '000	*Manufacturing* AED '000	*Total* AED '000
Other information					
Segment assets	**76,398**	**3,716,893**	**177,974**	**104,480**	**4,075,745**
Investments in associates	**-**	**109,440**	**-**	**-**	**109,440**
Total assets	**76,398**	**3,826,333**	**177,974**	**104,480**	**4,185,185**
Segment liabilities	**16,970**	**2,680,385**	**138,763**	**39,372**	**2,875,490**
2005					
Other information					
Segment assets	57,405	2,282,914	183,319	74,090	2,597,728
Investments in associates	-	46,002	-	-	46,002
Total assets	57,405	2,328,916	183,319	74,090	2,643,730
Segment liabilities	9,627	1,328,207	138,492	21,628	1,497,954
2006					
Capital expenditure:					
Property, plant and equipment	**391**	**62,146**	**144**	**704**	**63,385**
Capital work in progress	**-**	**792,324**	**-**	**19,951**	**812,275**
Depreciation	**541**	**57,308**	**512**	**1,044**	**59,405**
2005					
Capital expenditure:					
Property, plant and equipment	615	22,353	79	3,041	26,088
Capital work in progress	-	553,472	-	2,305	555,777
Depreciation	358	41,947	216	883	43,404

4 OTHER INCOME

	2006 **AED '000**	*2005* AED '000
Gain on disposal of property, plant and equipment to a related party	**40,552**	-
Gain on disposal of assets classified as held for sale	**682**	-
Bank interest	**10,983**	9,764
Changes in fair value relating to financial assets carried at fair value through income statement	**6,472**	5,486
Gain arising from compensation received on termination of contract	**3,910**	-
Miscellaneous income	**8,085**	4,784
	70,684	20,034

5 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2006	2005
	AED '000	AED '000
Costs of inventories recognised as an expense	**94,403**	82,696
Staff costs	**54,678**	42,443

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

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

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

	2006	2005
Profit for the year (*AED '000*)	**104,406**	51,140
Weighted average number of ordinary shares issued ('000)	**1,050,000**	992,465
Basic and diluted earnings per share *(AED)*	**0.10**	0.05

The weighted average number of ordinary shares in issue used in the determination of the earnings per share for the year ended 31 December 2005 has been adjusted for the effect of the share bonus issue in 2006.

7 SUBSIDIARIES

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

	Country of incorporation	*Percentage of holding 2006 and 2005*	
Gulf Energy Systems LLC	U.A.E.	100	100
National Central Cooling Company Ras Al Khaimah LLC	U.A.E.	100	100
Emirates Preinsulated Pipes Industries LLC	U.A.E.	60	60
Installation Integrity 2000 LLC	U.A.E.	60	60
BAC Balticare Gulf LLC	U.A.E.	100	100
Summit District Cooling Company	U.A.E.	51	51
Bahrain District Cooling Company	Bahrain	57	55
Ian Banham and Associates	U.A.E.	70	70
Tabreed Holdings WLL	Bahrain	100	100
Tabreed LLC Oman	Oman	100	100
Tabreed Captive Insurance Company B.S.C.	Bahrain	100	-
Installation Integrity 2006 WLL	Qatar	52	-

Gulf Energy Systems LLC was registered on 15 April 1995 and commenced its commercial activities thereafter.

National Central Cooling Company Ras Al Khaimah LLC was registered on 22 November 1999 and commenced its commercial activities thereafter.

Emirates Preinsulated Pipes Industries LLC was registered on 13 December 2000 and commenced its commercial activities in May 2002.

Installation Integrity 2000 LLC (I2I) was registered on 15 May 2000 and commenced its commercial activities thereafter. Tabreed acquired its equity share in I2I in 2002.

BAC Balticare Gulf LLC was registered on 7 April 2003 and commenced its commercial activities thereafter.

Tabreed acquired a 51% interest in Summit District Cooling Company (SDCC) on 29 May 2004. SDCC commenced its commercial activities thereafter. During the year, Tabreed invested an additional amount of AED 7.6 million representing its share of the additional share capital issued by SDCC.

Tabreed acquired a 55% interest in Bahrain District Cooling Company (BDCC) on 31 October 2004. BDCC commenced its commercial activities thereafter. During the year, Tabreed invested an additional amount of AED 25.6 million. Tabreed's interest in BDCC as of 31 December 2006 increased to 57%.

Tabreed acquired a 70% interest in Ian Banham and Associates on 27 October 2004. Ian Banham and Associates is already engaged in commercial activities.

Tabreed Holdings WLL was incorporated in the Kingdom of Bahrain and registered as a limited liability company. Tabreed Holdings WLL has not started operations as at 31 December 2006.

Tabreed LLC Oman was incorporated in the Sultanate of Oman and registered as a limited liability company. Tabreed LLC Oman has not started commercial activities as at 31 December 2006.

Tabreed Captive Insurance Company B.S.C was registered in Bahrain as a closed Joint Stock Company. Tabreed Captive Insurance Company B.S.C has not started commercial activities as at 31 December 2006.

Installation Integrity 2006 WLL was registered in 2006 in the state of Qatar and commenced its commercial activities thereafter.

8 CAPITAL WORK IN PROGRESS

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

	2006	*2005*
	AED '000	*AED '000*
Balance at 1 January	**595,377**	306,106
Additions during the year	**812,275**	555,777
Transfer to property, plant and equipment (note 9)	**(733,461)**	(266,506)
	674,191	595,377
Advances to contractors	**81,291**	47,544
Balance at 31 December	**755,482**	642,921

At 31 December 2006, capital work in progress amounting to AED 247 million (2005: AED 263 million) has been funded by term loans (note 22) and AED 342 million (2005: AED 204 million) funded by Islamic financing arrangements (note 23). Upon completion of the construction of plants under Istisna'a financing arrangements, the total cost of the plant thereafter is financed under an Islamic Ijara agreement. Included in additions to capital work in progress are capitalised financing costs amounting to AED 51.6 million (2005: AED 29.5 million).

Istisna'a is a sales contract between a contract owner (the Islamic financing institution) and a contractor (the Company) whereby the contractor, based on an order from the contract owner, undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

9 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED '000	*Furniture and fixtures AED '000*	*Office equipment and instruments AED '000*	*Motor vehicles AED '000*	*Total AED '000*
Cost:					
At 1 January 2006	1,093,134	6,599	15,169	2,099	1,117,001
Additions	62,147	235	959	44	63,385
Transfer from capital work in progress (note 8)	733,461	-	-	-	733,461
Disposals	(511,426)	(41)	(15)	(38)	(511,520)
At 31 December 2006	**1,377,316**	**6,793**	**16,113**	**2,105**	**1,402,327**
Depreciation:					
At 1 January 2006	101,548	3,889	6,318	1,138	112,893
Charge for the year	55,367	1,154	2,590	294	59,405
Disposals	(52,463)	(15)	(3)	(31)	(52,512)
At 31 December 2006	**104,452**	**5,028**	**8,905**	**1,401**	**119,786**
Net carrying amount at 31 December 2006 before provision for impairment in value	1,272,864	1,765	7,208	704	1,282,541
Provision for impairment	(197)	-	-	-	(197)
Net carrying amount:					
At 31 December 2006	**1,272,667**	**1,765**	**7,208**	**704**	**1,282,344**
At 31 December 2005	991,586	2,710	8,851	961	1,004,108

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

	2006 AED '000	*2005 AED '000*
Included in operating costs	**52,068**	39,401
Included in other administrative expenses	**5,748**	3,630
Included in capital work in progress	**1,589**	373
	59,405	43,404

At 31 December 2006, the net book value of plants financed by term loans (note 22) and an Islamic Ijara loan (note 23) under sale and leaseback Ijara financing arrangements amounted to AED 1,143 million (2005: AED 563.9 million). The plants are constructed on land which has been granted to Tabreed and its subsidiaries at nominal or no cost to them.

Additions during the year include net book value of plant amounting to AED 55.8 million (2005: nil) held under finance lease. The leased assets are pledged as security for the related finance lease (note 24).

Included in land, plant and buildings is an amount of AED 11.1 million (2005: AED 11.1 million) relating to cost of freehold land purchased by Tabreed in the Emirate of Ajman for the purpose of constructing a district cooling plant.

10 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	*Ownership* **2006**	*2005*
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	State of Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Jordanian Company for Central Energy (PLS)	Jordan	**50%**	-

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

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

	2006 ***AED '000***	*2005* *AED '000*
Share of the associates' balance sheets:		
Current assets	**54,877**	38,239
Non-current assets	**169,269**	75,446
Current liabilities	**(9,890)**	(21,068)
Non-current liabilities	**(104,816)**	(46,615)
Net assets	**109,440**	46,002
Share of the associates' revenues and results:		
Revenues	**12,512**	2,791
Results	**1,617**	478
Carrying amount of the investments	**109,440**	46,002

Management believe that the carrying value of the investments will be realised in full.

Tabreed invested an amount of AED 61.8 million (2005: AED 27 million) representing its share of additional share capital issued by the associates during the year as follows:

	2006 ***AED '000***	*2005* *AED '000*
Qatar Central Cooling Company PJSC	**39,549**	26,980
Tabreed District Cooling Company (Saudi)	**11,764**	25
Jordanian Company for Central Energy (PLS)	**10,508**	-
	61,821	27,005

Jordanian Company for Central Energy (PLS) was incorporated during the year and has not yet commenced operations.

11 INTEREST IN JOINT VENTURE

Tabreed has a 51% equity interest in SNC Lavalin Gulf Contractors LLC, a jointly controlled limited liability company which is involved in engineering, procurement, construction and construction management in the field of District Cooling. As all construction activity relates to the Company, no revenues or expenses of the joint venture for the years ended 31 December 2006 and 2005 are included in the consolidated income statement.

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

	2006	*2005*
	AED '000	*AED '000*
Current assets	**158,819**	140,342
Non-current assets	**369**	572
	159,188	140,914
Current liabilities	**113,499**	121,017
Non-current liabilities	**8,459**	4,356
	121,958	125,373

12 INTANGIBLE ASSETS

	Goodwill		*Trademarks*		*Total*	
	2006	*2005*	***2006***	*2005*	***2006***	*2005*
	AED '000	*AED '000*	***AED '000***	*AED '000*	***AED '000***	*AED '000*
Balance at 1 January	**38,334**	30,030	**2**	14	**38,336**	30,044
Additions during the year	**-**	8,898	**-**	-	**-**	8,898
Provision for impairment loss	-	(594)	**-**	-	**-**	(594)
Amortisation for the year	**-**	-	**(2)**	(12)	**(2)**	(12)
Balance at 31 December	**38,334**	38,334	**-**	2	**38,334**	38,336

13 IMPAIRMENT TESTING OF GOODWILL

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

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

Ian Banham & Associates

The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using cash flow projections prepared by an external consultant in the year ended 31 December 2004 and extrapolated by the senior management using a stable growth rate to cover a five-year period ending 31 December 2011. The discount rate applied to the cash flow projections is 25% (2005: 25%).

13 IMPAIRMENT TESTING OF GOODWILL continued

Tabreed 1 District Cooling Plant
The recoverable amount of Tabreed 1 District Cooling Plant unit is also determined based on a value in use calculation using cash flow projections. The revenue included in the cash flow projections is based on a contractual agreement for the sale of chilled water to a customer for a period of 20 years. The operating costs are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 9.4%. (2005: 9.4%)

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

	2006 and 2005 AED '000
Ian Banham & Associates	**27,711**
Tabreed 1 District Cooling Plant	**9,712**

Key assumptions used in value in use calculation of Ian Banham & Associates and Tabreed 1 District Cooling Plant for the years ended 31 December 2006 and 2005:

The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill:

Ian Banham & Associates:
Terminal value of business is based on the estimate provided by the external consultant in the year ended 31 December 2004 and updated by the management as at 31 December 2006.

Tabreed 1:
Price Inflation: A general price inflation level of 3% (2005: 3%) has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates.

Residual Value: An estimate of 20% (2005: 20%) of the original cost of the plant is used as an estimate of the residual value of the plant at the end of the term of the agreement. The useful life of the plant is in excess of the period of the contractual agreement with the customer.

14 TRADE AND OTHER RECEIVABLES

	2006 AED '000	*2005 AED '000*
Trade accounts receivable	**182,115**	160,617
Receivable from a related party on disposal of property, plant and equipment	**525,000**	-
Other receivables	**172,663**	47,463
	879,778	208,080

15 FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

Financial assets carried at fair value through income statement comprise of investments in several managed funds. These investments are classified under this category as they are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented risk management strategy.

16 CONTRACT WORK IN PROGRESS

	2006	*2005*
	AED '000	*AED '000*
Cost plus attributable profit	**286,408**	261,291
Less: progress billings	**(174,461)**	(192,080)
	111,947	69,211

17 CASH AND CASH EQUIVALENTS

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

	2006	*2005*
	AED '000	*AED '000*
Bank balances and cash	**866,510**	520,032
Bank overdraft	**(280,322)**	(111,933)
	586,188	408,099

Bank balances and cash include short-term bank deposits of AED 713 million (2005: AED 104 million) placed with commercial banks in the United Arab Emirates and Kingdom of Bahrain. These are denominated in AED with effective rates in the range of 2.55% to 6% (2005: 1.7% to 5.0%).

18 SHARE CAPITAL

	2006	*2005*
	AED '000	*AED '000*
Authorised, issued and fully paid up share capital		
1,050,000,000 ordinary shares at AED 1 each (31 December 2005: 1,000,000,000 ordinary shares of 1 each)	**1,050,000**	1,000,000

At the Annual General Meeting held on 20 March 2006, the shareholders approved the proposed issue of 50 million bonus shares amounting to AED 50 million. The registration of the bonus shares was completed in Tabreed's share register on 3 April 2006.

19 TREASURY SHARES AND SHARE-BASED PAYMENTS

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

Share based payments
The employee incentive scheme ('the scheme') grants notional units of the Company's ordinary shares to qualifying employees on recommendation of the remuneration committee of the Company. These notional units of the Company's ordinary shares can be settled in cash in accordance with the terms of the scheme.

At 31 December 2006, the employee incentive scheme had outstanding notional units of the Company's ordinary shares analysed as follows:

	No. of shares	
	2006	*2005*
At 1 January	**1,203,540**	1,254,485
Notional units of the Company's ordinary shares granted during the year	**651,600**	517,990
Exercised during the year	**(323,766)**	(568,935)
At 31 December	**1,531,374**	1,203,540

The weighted average fair value of notional units granted during the year was AED 3.37 (2005: AED 3.6).

The employee incentive scheme liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the consolidated income statement or capital work in progress, as applicable (refer below).

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

	2006	*2005*
	AED '000	*AED '000*
Other administrative expenses	**844**	(1,815)
Capital work in progress	**1,900**	(2,268)

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

20 STATUTORY RESERVE

As required by the U.A.E. 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 transfer for the year represents 10% of the profit of Tabreed before accounting for Tabreed's share in the results of its subsidiaries, and Tabreed's share in the subsidiaries' statutory reserves transferred for the year. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

21 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The Board of Directors has proposed a bonus share dividend at the rate of 8% (2005: 5%) amounting to AED 84 million (2005: AED 50 million). The bonus share dividend will be submitted for approval at the Annual General Meeting in 2007.

An amount of AED 3.15 million (2005: nil) has been proposed as remuneration for the members of the Board of Directors for the year ended 31 December 2006. The remuneration will be submitted for approval at the Annual General Meeting in 2007.

22 TERM LOANS

	Effective interest rate %	*Repayments*	***2006 AED '000***	*2005 AED '000*
Current				
Term loan 1	EIBOR + margin	January & July 2007	**250**	-
Term loan 2	LIBOR + margin	April & October 2007	**4,583**	-
Term loan 3	EIBOR+ margin	November 2007	**500**	-
Term loan 5, net of prepaid finance costs	EIBOR + margin	April & October 2007	**35,669**	23,633
Other loan	1.99%	January - December 2007	**22**	125
			41,024	23,758
Non-current				
Term loan 1	EIBOR + margin	January 2009	**375**	875
Term loan 2	LIBOR + margin	October 2017	**71,795**	32,681
Term loan 3	EIBOR + margin	November 2012	**4,500**	-
Term loan 4	EIBOR + margin	November 2019	**91,873**	-
Term loan 5, net of prepaid finance costs	EIBOR + margin	October 2016	**520,287**	348,482
Other loan	1.99%	January 2007	**-**	30
			688,830	382,068

The above term loans are secured by pledges over plant and capital work in progress and a corporate guarantee in accordance with the facility agreements.

At 31 December 2006, unutilised term loans facilities available to the Company amounted to AED 119.3 million (2005: AED 319.8 million).

As the term loans attract interest at rates which vary with market movements, the fair value of the term loans approximates their carrying value.

Amounts repayable (before deducting prepaid finance costs) are as follows:

	2006 AED '000	*2005 AED '000*
Within 1 year	**42,314**	25,418
Between 1 – 2 years	**52,634**	29,450
Between 2 - 3 years	**60,431**	35,620
Between 3 - 4 years	**60,901**	39,395
Between 4 - 5 years	**76,288**	39,270
After 5 years	**448,586**	250,103
	741,154	419,256

23 ISLAMIC FINANCING ARRANGEMENTS

	Effective profit charge %	*Repayments*	***2006 AED '000***	*2005 AED '000*
(i) Islamic Ijara loans				
Current				
Ijara 1	EIBOR + margin	March & September 2007	**121,384**	15,514
Non-current				
Ijara 1	EIBOR + margin	March 2012	**-**	121,384
Ijara 2, net of prepaid finance costs	5.5%	March 2009	**185,559**	184,964
			185,559	306,348
(ii) Islamic Istisna'a loans				
Non-current				
Istisna'a 1, net of prepaid finance costs	5.5%	March 2009	**175,836**	174,486
Istisna'a 2, net of prepaid finance costs	LIBOR + margin	July 2011	**721,708**	-
			897,544	174,486
(iii) Islamic Muqawala loans				
Current				
Muqawala 1	EIBOR + margin	May & November 2007	**108,288**	11,712
Muqawala 2	11.7%	January & July 2007	**8,334**	2,465
			116,622	14,177
Non-current				
Muqawala 1	EIBOR + margin	May 2014	-	108,288
Muqawala 2	11.7%	January 2010	**15,641**	23,975
			15,641	132,263

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

Islamic financing arrangements repayable (before deducting prepaid finance costs) are as follows:

	2006 AED '000	*2005 AED '000*
Within 1 year	**238,006**	29,691
Between 1 – 2 years	**8,334**	37,488
Between 2 - 3 years	**374,810**	39,546
Between 3 - 4 years	**-**	408,196
Between 4 - 5 years	**734,800**	35,743
After 5 years	**-**	100,174
	1,355,950	650,838

24 OBLIGATIONS UNDER FINANCE LEASE

During the year, the Company entered into a sale and lease back agreement with a third party relating to certain plant (note 9) 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:

	Minimum lease payments AED '000	*Present value of payments AED '000*
Within one year	**7,749**	**2,706**
After one year but not more than five years	**30,994**	**13,790**
After five years	**51,011**	**37,820**
	89,754	**54,316**
Less: amounts representing finance charges	**(35,438)**	**-**
Present value of minimum lease payments	**54,316**	**54,316**

Amounts repayable over the term of the lease are as follows:

	2006 AED '000	*2005 AED '000*
Within 1 year	**2,706**	-
1 – 2 years	**2,975**	-
2 - 3 years	**3,270**	-
3 - 4 years	**3,594**	-
4 - 5 years	**3,951**	-
More than 5 years	**37,820**	-
	54,316	-

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

	2006 AED '000	*2005 AED '000*
Current	**2,706**	-
Non-current	**51,610**	-
	54,316	-

25 EMPLOYEES' END OF SERVICE BENEFITS

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

	2006	*2005*
	AED '000	*AED '000*
Balance at 1 January	**7,884**	5,604
Net movement during the year	**341**	2,280
Balance at 31 December	**8,225**	7,884

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

26 ACCOUNTS PAYABLE AND ACCRUALS

	2006	*2005*
	AED '000	*AED '000*
Amounts due in more than one year		
Retentions payable	**10,672**	10,604
Deferred income	**25,796**	-
	36,468	10,604
Amounts due in less than one year		
Accounts payable	**165,364**	153,339
Retentions payable	**39,331**	20,790
Employee incentive scheme payable	**3,430**	7,221
Deferred income	**1,239**	-
Payable to former shareholders	**5,883**	6,906
Due to related parties	**-**	5,076
Accrued expenses	**141,789**	84,649
Other payables	**72,519**	40,938
	429,555	318,919

27 RELATED PARTY TRANSACTIONS

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

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

	2006		*2005*	
	Revenue AED'000	***Fees for management services AED'000***	*Revenue AED'000*	*Fees for management services AED'000*
Associated companies	**125**	**3,860**	840	2,447

Further, during the year, the Company sold certain plants with net book value of AED 457 million to a related party (note 4).

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

	2006		*2005*	
	Accounts receivable AED '000	***Accounts payable AED '000***	*Accounts receivable AED '000*	*Accounts payable AED '000*
Associated companies	**4,025**	**-**	5,456	-
Other related parties	**6,245**	**-**	3,378	5,076
	10,270	**-**	8,834	5,076

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

	2006 AED '000	*2005 AED '000*
Short-term benefits	**23,416**	20,067
Employees' end of service benefits	**861**	1,428
	24,277	21,495
Number of key management personnel	**48**	43

28 CONTINGENCIES

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

	2006	*2005*
	AED '000	*AED '000*
Performance guarantees	**30,150**	22,728
Advance payment guarantees	**70**	70
Financial guarantees	**1,598**	3,617
	31,818	26,415

The Company's share of contingencies of the joint venture as of 31 December 2006 amounted to AED 0.3 million (2005: AED 0.3 million).

The Company's share of contingencies of the associates as of 31 December 2006 amounted to AED 1.4 million (2005: AED 0.4 million).

29 COMMITMENTS

The Board of Directors has authorised future capital expenditure amounting to AED 2,193 million (2005: AED 1,393 million). Included in this amount is AED 1,436 million (2005: AED 1,255 million) which is expected to be incurred within one year from the balance sheet date.

The Company's share of commitments of the joint venture as of 31 December 2006 amounted to AED 48.9 million (2005: AED 29.9 million). These commitments are in respect of forward foreign exchange contracts outstanding at the balance sheet date.

30 RISK MANAGEMENT

Interest rate risk
The Company is exposed to interest rate risk on their interest bearing assets (bank deposits) and liabilities (bank overdrafts and loans). To limit the risk, management has sought to limit the exposure of the Company to any adverse future movements in rates by entering into various interest rate swap and cap deals. The notional amount outstanding at 31 December 2006 was AED 1,316 million (2005: AED 1,062 million). At 31 December 2006, the fixed rates vary from 3.57% to 4.8% (2005: 3.57% to 4.75%). The floating interest rate on the instruments is LIBOR. The derivative financial instruments entered into for the purposes of a cash flow hedge had positive changes in their fair values amounting to AED 9.5 million (2005: AED 3.8 million) which have been recognised within equity under cumulative changes in fair values of derivatives. Management is therefore of the opinion that the Company's exposure to interest rate risk is limited.

30 RISK MANAGEMENT continued

Credit risk
The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. The Company sells its services and products to a number of institutions in the UAE. Their three largest customers account for approximately 59% of outstanding accounts receivable at 31 December 2006 (2005: 3 customers - 69%). As amounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the consolidated balance sheet.

Liquidity risk
The Company limits its liquidity risk by monitoring their current financial position in conjunction with their cash flow forecasts on a regular basis to ensure funds are available to meet their commitments for liabilities as they fall due. The Company's terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

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

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the balance sheet date except for certain Islamic financing arrangements with fixed profit rates (note 23).

32 COMPARATIVE INFORMATION

Certain comparative figures for 2005 have been reclassified in order to conform with presentation for the current year. Such reclassifications do not affect previously reported profit or equity.

These amounts have been restated in light of changes in International Financial Reporting Standards and to improve the quality of information presented.

National Central Cooling Company PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

ERNST & YOUNG

AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL CENTRAL COOLING COMPANY PJSC

We have audited the accompanying consolidated balance sheet of National Central Cooling Company PJSC ('the Company") and its subsidiaries as of 31 December 2005, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2005 and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion 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 in agreement with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit, and to the best of our knowledge and belief no violations of the U.A.E. Commercial Companies Law of 1984 (as amended) or the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Bassam E Hage
Partner
Registration No. 258

12 February 2006
Abu Dhabi

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2005

	Notes	***2005 AED '000***	*2004 AED'000*
Revenues	3	**400,904**	242,085
Operating costs		**(248,988)**	(150,788)
GROSS PROFIT		**151,916**	91,297
Salaries and staff related costs		**(30,753)**	(21,753)
Other administrative expenses		**(37,989)**	(20,319)
Amortisation and impairment of goodwill and trademarks	12	**(606)**	(862)
Finance costs		**(35,433)**	(20,401)
Other income	4	**20,034**	7,759
Share of results of associates	10	**478**	(228)
PROFIT FOR THE YEAR		**67,647**	35,493
Attributable to:			
Equity holders of the parent		**51,140**	31,585
Minority interests		**16,507**	3,908
		67,647	35,493
Basic earnings per share	6	**0.05**	0.04

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2005

	Notes	2005 AED '000	2004 AED'000 (Restated)
ASSETS			
Non-current assets			
Capital work in progress	8	**642,921**	331,962
Property, plant and equipment	9	**1,004,108**	772,894
Investments in associates	10	**46,002**	18,519
Intangibles	12	**38,336**	30,044
Prepayments		**18,349**	21,988
		1,749,716	1,175,407
Current assets			
Inventories		**17,651**	8,418
Trade and other receivables	14	**207,007**	125,934
Financial assets carried at fair value through income statement		**76,269**	-
Contract work in progress	15	**69,211**	70,457
Prepayments		**7,453**	8,184
Bank balances and cash	16	**520,032**	255,390
		897,623	468,383
Assets classified as held for sale	2.2 & 9	**17,867**	-
		915,490	468,383
TOTAL ASSETS		**2,665,206**	1,643,790
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	17	**1,000,000**	500,000
Treasury shares	18	**(10,050)**	(5,050)
Statutory reserve	19	**14,544**	7,914
Retained earnings		**22,881**	28,371
Cumulative changes in fair value of derivatives	26	**3,800**	(6,419)
Reserve for proposed bonus issue	20	**50,000**	-
Proposed dividend	20	**-**	25,000
		1,081,175	549,816
Minority interests		**64,601**	14,530
Total equity		**1,145,776**	564,346
Non-current liabilities			
Accounts payable and accruals	24	**10,604**	1,194
Term loans	21	**393,836**	213,680
Islamic Ijara loans	22	**308,809**	324,323
Islamic Istisna'a loans	22	**180,075**	180,075
Islamic Muqawala loans	22	**132,263**	121,826
Employees' end of service benefits	23	**7,884**	5,604
		1,033,471	846,702
Current liabilities			
Accounts payable and accruals	24	**318,919**	161,211
Bank overdrafts	16	**111,933**	27,501
Current portion of term loans	21	**25,416**	26,313
Current portion of Ijara loans	22	**15,514**	9,396
Current portion of Muqawala loans	22	**14,177**	8,321
		485,959	232,742
Total liabilities		**1,519,430**	1,079,444
TOTAL EQUITY AND LIABILITIES		**2,665,206**	1,643,790

Mohamed Saif Al Mazrouei
CHAIRMAN

Dany Safi
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2005

	Notes	2005 AED '000	2004 AED '000 (Restated)
OPERATING ACTIVITIES			
Profit for the year attributable to equity holders of the parent		**51,140**	31,585
Adjustment for:			
Depreciation	9	**43,404**	36,415
Amortisation of goodwill and trademarks	12	**12**	862
Provision for impairment losses relating to goodwill	12	**594**	-
Provision for employees' end of service benefits	23	**2,280**	2,152
Interest income	4	**(9,764)**	(3,962)
Finance costs		**35,433**	20,401
Revaluation gain on financial assets carried at fair value through income statement	4	**(5,486)**	-
Profit on sale of property, plant and equipment		**(84)**	(746)
		117,529	86,707
Working capital changes:			
Inventories		**(9,233)**	(3,613)
Accounts receivable and prepayments		**(66,484)**	(76,725)
Contract work in progress		**1,246**	(41,022)
Accounts payable and accruals		**167,118**	(21,686)
Net cash from (used in) operations		**210,176**	(56,339)
Minority interests		**50,071**	6,543
Finance costs		**(35,433)**	(20,401)
Net cash from (used in) operating activities		**224,814**	(70,197)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(26,088)**	(5,701)
Proceeds from sale of property, plant and equipment		**193**	76,565
Additional goodwill arising on acquisition of subsidiary	12	**(8,898)**	-
Investments in associates		**(27,483)**	(13,541)
Purchase of financial assets carried at fair value through income statement		**(70,783)**	-
Additions to capital work in progress		**(577,465)**	(219,813)
Acquisition of subsidiaries, net of cash acquired		**-**	(25,103)
Interest received	4	**9,764**	3,962
Net cash used in investing activities		**(700,760)**	(183,631)
FINANCING ACTIVITIES			
Share capital received	17	**500,000**	-
Contribution to Treasury shares	18	**(5,000)**	(5,050)
Dividends paid		**(25,000)**	(15,000)
Term loans received		**208,081**	250,040
Term loans repaid		**(28,822)**	(194,966)
Islamic Ijara loans received		**-**	187,425
Islamic Ijara loans repaid		**(9,396)**	(94,706)
Muqawala loans received		**18,757**	86,228
Muqawala loans repaid		**(2,464)**	(2,465)
Islamic Istisna'a loans received		**-**	180,075
Net cash from financing activities		**656,156**	391,581
INCREASE IN CASH AND CASH EQUIVALENTS		**180,210**	137,753
Cash and cash equivalents at 1 January	16	**227,889**	90,136
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**408,099**	227,889

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

	2005	2004
Accounts payable and accruals – fair value adjustment for derivatives	-	1,248
Accounts receivable and prepayments – fair value adjustment for derivatives	**10,219**	(3,352)
Transfer from capital work in progress to property, plant and equipment	**266,506**	17,025
Transfer from property, plant and equipment to assets held for sale	**17,867**	-

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2005

	Attributable to equity holders of the parent									
	Share capital AED 000	*Treasury shares AED 000*	*Statutory reserve AED 000*	*Retained earnings AED 000*	*Cumulative changes in fair value of derivatives AED 000*	*Reserve for proposed bonus issue AED 000*	*Proposed dividend AED 000*	*Total AED 000*	*Minority interests AED 000*	*Total equity AED 000*
Balance at 1 January 2004 (as previously stated)	500,000	-	5,160	25,838	(4,315)	-	15,000	541,683	7,986	549,669
Effect of adopting IFRS 2 (note 18)	-	-	-	(1,298)	-	-	-	(1,298)	-	(1,298)
Reclassification from advance to employee incentive scheme (note 18)	-	(5,050)	-	-	-	-	-	(5,050)	-	(5,050)
At 1 January 2004 (restated)	500,000	(5,050)	5,160	24,540	(4,315)	-	15,000	535,335	7,986	543,321
Net movement in fair value of cash flow hedges	-	-	-	-	(2,104)	-	-	(2,104)	-	(2,104)
Total expense for the year recognised directly in equity	-	-	-	-	(2,104)	-	-	(2,104)	-	(2,104)
Profit for the year	-	-	-	31,585	-	-	-	31,585	3,908	35,493
Total income and expense for the year	-	-	-	31,585	(2,104)	-	-	29,481	3,908	33,389
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	4,877	4,877
Transfer to statutory reserve	-	-	2,754	(2,754)	-	-	-	-	-	-
Purchase of minority interests during the year	-	-	-	-	-	-	-	-	(1,041)	(1,041)
Dividend paid	-	-	-	-	-	-	(15,000)	(15,000)	(1,200)	(16,200)
Dividend proposed	-	-	-	(25,000)	-	-	25,000	-	-	-
Balance at 31 December 2004 (restated)	500,000	(5,050)	7,914	28,371	(6,419)	-	25,000	549,816	14,530	564,346
	-	-	-	-	-	-	-	-	-	-
Net movement in fair value of cash flow hedges	-	-	-	-	10,219	-	-	10,219	-	10,219
Total income for the year recognised directly in equity	-	-	-	-	10,219	-	-	10,219	-	10,219
Profit for the year	-	-	-	51,140	-	-	-	51,140	16,507	67,647
Total income and expense for the year	-	-	-	51,140	10,219	-	-	61,359	16,507	77,866
Increase in share capital	500,000	-	-	-	-	-	-	500,000	36,264	536,264
Transfer to statutory reserve	-	-	6,630	(6,630)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(25,000)	(25,000)	(2,700)	(27,700)
Contribution to treasury shares	-	(5,000)	-	-	-	-	-	(5,000)	-	(5,000)
Proposed bonus issue	-	-	-	(50,000)	-	50,000	-	-	-	-
Balance at 31 December 2005	**1,000,000**	**(10,050)**	**14,544**	**22,881**	**3,800**	**50,000**	**-**	**1,081,175**	**64,601**	**1,145,776**

The attached notes 1 to 32 form part of these consolidated financial statements.

1 ACTIVITIES

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

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 12 February 2006.

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments, share-based payments and financial assets carried at fair value through income statement.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies are consistent with those used in the previous year except that the Company has adopted those new / revised standards mandatory for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from adoption of the following new or revised standards:

- IFRS 2 Share-based payment
- IFRS 3 Business Combinations and IAS 36 (revised) Impairment of Assets
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The principal effects of these changes in policies are discussed below:

- IFRS 2 Share-based Payment

The accounting policy for share based payment transactions is described in the summary of 'significant accounting policies'. The main impact of IFRS 2 on the Company is the recognition of an expense and a corresponding entry to liability for cash settled notional units of Company's ordinary shares granted to qualifying employees of the Company. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement.

The Company has applied IFRS 2 retrospectively and the effect of the policy has decreased consolidated current year profits by AED 1.8 million and retained earnings at 1 January 2004 by AED 1.3 million. A liability of AED 7.2 million representing the fair value of the outstanding cash settled notional units of Company's ordinary shares granted as at 31 December 2005 is carried in the balance sheet (refer to note 18).

2.2 CHANGES IN ACCOUNTING POLICIES continued

- IFRS 3 Business Combinations and IAS 36 (revised) Impairment of Assets

IFRS 3 has been applied for business combinations for which the agreement date is on or after 31 March 2004. Additionally, the adoption of IFRS 3 and IAS 36 (revised) has resulted in the Company ceasing annual goodwill amortisation and commencing testing for impairment at the cash generating unit level annually from 1 January 2005. The transitional provisions of IFRS 3 have required the Company to eliminate at 1 January 2005 the carrying amount of the accumulated amortisation by AED 8.6 million with a corresponding entry to goodwill.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 requires a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

The effect of the policy has resulted in the reclassification of the net carrying amount of AED 17.9 million representing a district cooling plant from non-current assets to the heading of ‘assets classified as held for sale’ under current assets. The Company has committed to a third party for the sale of the plant at a value expected by the management to be in excess of its carrying amount at 31 December 2005.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES

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

Impairment of goodwill
The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was AED 38 million (2004: AED 30 million). More details are given in note 12.

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

At the balance sheet date, gross trade accounts receivable were AED 168.4 million (2004: AED 114.5 million), and the provision for doubtful debts was AED 7.8 million (2004: AED 6 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and each of its controlled subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Where subsidiary financial statements are drawn up to different reporting dates, adjustments are made. All significant inter-company balances, transactions and profits have been eliminated on consolidation.

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

Minority interest principally represents the interest in subsidiaries not held by the Company and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

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

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

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

Capital work in progress
Capital work in progress is recorded at cost which represents the contractual obligations of the Company for the construction of the plant. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and buildings	over 25 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 carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

Investments in associates
The Company's investments in associates are accounted for under the equity method of accounting. These are entities in which the Company has between 20% to 50% of the voting power or over which it exercises significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

The reporting dates of the associates and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

Interest in joint venture
The Company's interest in its joint venture is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

Intangibles
Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Company's primary or secondary reporting format determined in accordance with IAS 14 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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 a first-in, first-out basis.
- Work in progress and 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.

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

Cash and cash equivalents
For the purpose of the 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.

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

Provisions
Provisions are recognised when the Company and its subsidiaries have 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.

Term loans and Islamic loans
The term loans and Islamic loans are carried on the balance sheet at their principal amount. Instalments due within one year are shown as a current liability. Interest on term loans and fluctuating profit charges on Islamic loans are charged as an expense or capitalised as part of capital work in progress in accordance with International Accounting Standard No 23 as they accrue, with unpaid amounts included in "accounts payable and accruals".

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets at fair value through income statement
Investments are classified as financial assets at fair value through income statement if the fair value of the investment can be reliably measured. These are re-measured at fair value with all changes in fair value being recorded in the income statement.

Leases
Finance leases, which transfer to the Company and its subsidiaries substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased asset or, if lower, 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 recognised directly in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Employees' end of service benefits
The Company and its subsidiaries provide 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 Company and its subsidiaries make contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

Derivative financial instruments
The Company uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate currency fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap and cap contracts is determined by reference to market values for similar instruments. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement. Any gains or losses on the hedged item attributable to the hedged risk are adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in equity and the ineffective portion is recognised in the income statement. The gain or loss on effective cash flow hedges recognised initially in equity is either transferred to the income statement in the period in which the underlying transaction impacts the income statement or capitalised with other borrowing costs directly attributable to the construction of each plant as part of the capital work in progress. The capitalisation of gain or loss ceases when the asset is commissioned for use.

2.4 SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments continued
For derivatives that do not qualify for special hedge accounting, any gain or loss arising from changes in fair value is taken to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

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

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

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

Financial instruments
Financial instruments comprise receivables, deposits, bank balances and cash, payables and certain other assets and liabilities.

Fair values of financial instruments are based on estimated fair values using methods such as the net present value of future cash flows.

The fair value of interest bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. The fair value of investments traded in organised markets is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

2.5 IASB INTERPRETATION ISSUED BUT NOT ADOPTED

The following Interpretation has been issued but is not yet mandatory, and has not yet been adopted by the Company:

IFRIC 4 Determining Whether an Arrangement Contains a Lease
Management is aware of the application of the above interpretation, which will take place during 2006. The Management is in the process of assessing the applicability of the interpretation, if any, to its operations at the balance sheet date.

3 SEGMENTAL ANALYSIS

	Services AED '000	Chilled water AED '000	Contracting AED'000	Manufacturing AED'000	Eliminations AED'000	Total AED'000
2005						
Revenue						
External revenue	37,838	133,128	109,317	120,621	-	400,904
Inter–segment sales	9,690	-		-	(9,690)	-
Total revenue	**47,528**	**133,128**	**109,317**	**120,621**	**(9,690)**	**400,904**
Result						
Segment result	**15,647**	**21,058**	**21,395**	**32,163**	**(2,911)**	**87,352**
Finance costs	-	-	-	-	-	(35,433)
Interest income	-	-	-	-	-	15,250
Share of results of associates	-	478	-	-	-	478
Minority interests	-	-	-	-	-	(16,507)
Profit for the year						**51,140**
2004						
Revenue						
External revenue	13,606	101,494	83,988	42,997	-	242,085
Inter–segment sales	1,526	-		-	(1,526)	-
Total revenue	15,132	101,494	83,988	42,997	(1,526)	242,085
Result						
Segment result	2,803	23,364	16,499	9,540	(46)	52,160
Finance costs	-	-	-	-	-	(20,401)
Interest income	-	-	-	-	-	3,962
Share of results of associates	-	(228)	-	-	-	(228)
Minority interests						(3,908)
Profit for the year						31,585

2005	Services AED '000	Chilled water AED'000	Contracting AED'000	Manufacturing AED'000	Total AED'000
Other information					
Segment assets	**57,405**	**2,304,390**	**183,319**	**74,090**	**2,619,204**
Investments in associates	**-**	**46,002**	**-**	**-**	**46,002**
Total assets	**57,405**	**2,350,392**	**183,319**	**74,090**	**2,665,206**
Segment liabilities	**9,627**	**1,349,683**	**138,492**	**21,628**	**1,519,430**
2004					
Segment assets	17,729	1,429,748	140,145	37,649	1,625,271
Investments in associates	-	18,519	-	-	18,519
Total assets	17,729	1,448,267	140,145	37,649	1,643,790
Segment liabilities	6,233	968,534	90,118	14,559	1,079,444

3 SEGMENTAL ANALYSIS continued

	Services AED '000	Chilled water AED'000	Contracting AED'000	Manufacturing AED'000	Total AED'000
Other information continued					
2005					
Capital expenditure:					
Tangible fixed assets	**615**	**22,353**	**79**	**3,041**	**26,088**
Depreciation	**358**	**41,947**	**216**	**883**	**43,404**
Amortisation	**-**	**12**	**-**	**-**	**12**
2004					
Capital expenditure:					
Tangible fixed assets	23	3,511	1,765	402	5,701
Depreciation	160	35,387	-	868	36,415
Amortisation	-	862	-	-	862

The Company is organised as one geographical segment and consequently, no secondary information is required to be provided.

4 OTHER INCOME

	2005 AED '000	*2004 AED'000*
Bank interest	**9,764**	3,962
Investment income	**5,486**	-
Miscellaneous income	**4,784**	3,797
	20,034	7,759

5 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2005 AED'000	*2004 AED'000*
Inventories recognised as expense upon sale of finished goods	**82,696**	29,884

6 BASIC EARNINGS PER SHARE

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 as follows:

	2005	*2004*
Profit for the year (*AED '000*)	**51,140**	31,585
Weighted average number of ordinary shares issued ('000)	**945,205**	814,800
Basic earnings per share *(AED '000)*	**0.05**	0.04

The weighted average number of ordinary shares in issue used in the determination of the earnings per share for the year ended 31 December 2004 have been adjusted for the effect of the split of the nominal value of the Company's ordinary shares from AED 10 to AED 1 per share.

7 RESULTS OF SUBSIDIARIES

Included in the consolidated income statement for the years ended 31 December 2005 and 2004 are the following in respect of subsidiary operations:

	2005 AED'000	*2004 AED'000*
Revenues	**281,360**	144,019
Expenses	**(215,001)**	(116,578)
Profit for the year before minority interest	**66,359**	27,441

The above balances represent results prior to eliminations for intercompany transactions.

8 CAPITAL WORK IN PROGRESS

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

	2005 AED'000	*2004 AED'000 (Restated)*
Balance at 1 January	**306,106**	117,357
Additions during the year	**555,777**	205,774
Transfer to property, plant and equipment (note 9)	**(266,506)**	(17,025)
Balance at 31 December	**595,377**	306,106
Advances to contractors	**47,544**	25,856
	642,921	331,962

A substantial portion of capital work in progress has been funded under Islamic financing arrangements and term loans (notes 21 and 22). Upon completion of the construction of plants under Istisna'a financing arrangements, the total cost of the plant thereafter is financed under an Islamic Ijara agreement.

Istisna'a is a sales contract between a contract owner (the Islamic financing institution) and a contractor (the Company) whereby the contractor, based on an order from the contract owner, undertakes to manufacture or otherwise acquire the subject matter of the contract according to specifications, and sells it to the contract owner for an agreed upon price and method of settlement whether that be in advance, by instalments or deferred to a specific future time.

8 CAPITAL WORK IN PROGRESS continued

In addition, AED 178.3 million (2004: AED 220.4 million) is included in capital work in progress which has been funded under a separate Islamic financing arrangement.

Included in additions to capital work in progress are capitalised financing costs amounting to AED 29.5 million (2004: AED 23.3 million).

9 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings AED'000	*Furniture and fixtures AED'000*	*Office equipment and instruments AED'000*	*Motor vehicles AED'000*	*Total AED'000*
Cost:					
At 1 January 2005	825,495	5,242	11,641	2,031	844,409
Additions	23,328	1,369	1,198	193	26,088
Transfer from capital work in progress (note 8)	264,155	-	2,351	-	266,506
Transfer of assets held for sale (note 2.2)	(19,748)	-	-	-	(19,748)
Disposals	(96)	(12)	(21)	(125)	(254)
At 31 December 2005	**1,093,134**	**6,599**	**15,169**	**2,099**	**1,117,001**
Depreciation:					
At 1 January 2005	(63,159)	(2,779)	(4,675)	(902)	(71,515)
Charge for the year	(40,275)	(1,117)	(1,651)	(361)	(43,404)
Transfer of assets held for sale (note 2.2)	1,881	-	-	-	1,881
Disposals	5	7	8	125	145
At 31 December 2005	**(101,548)**	**(3,889)**	**(6,318)**	**(1,138)**	**(112,893)**
Net carrying amount:					
At 31 December 2005	**991,586**	**2,710**	**8,851**	**961**	**1,004,108**
At 31 December 2004	762,336	2,463	6,966	1,129	772,894

The depreciation charge for the year has been dealt with as follows:

	2005 AED'000	*2004 AED'000*
Included in operating costs	**39,401**	32,981
Included in other administrative expenses	**3,630**	3,343
Included in capital work in progress	**373**	91
	43,404	36,415

At 31 December 2005, the net book value of plants financed by an Islamic Ijara loan under sale and leaseback Ijara financing arrangements amounted to AED 563.9 million (2004: AED 407.9 million). The plants are constructed on land which has been granted to the Company and one of its subsidiaries at nominal or no cost to them.

Included in land, plant and buildings is an amount of AED 11.1 million relating to freehold land purchased by the Company in the Emirate of Ajman for the purpose of constructing a district cooling plant.

10 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	*Ownership* **2005**	*2004*
Industrial City Cooling Company	Emirate of Abu Dhabi	**20%**	20%
Qatar Central Cooling Company PJSC	State of Qatar	**44.5%**	44.5%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	-

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

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

	2005 ***AED'000***	*2004* *AED'000*
Share of the associates' balance sheets:		
Current assets	**38,239**	12,856
Non-current assets	**75,446**	18,315
Current liabilities	**(21,068)**	(1,402)
Non-current liabilities	**(46,615)**	(11,250)
Net assets	**46,002**	18,519
Share of the associates' revenues and results:		
Revenues	**2,791**	839
Results	**478**	(228)
Carrying amount of the investments	**46,002**	18,519

Management believe that the carrying value of the investments will be realised in full.

The Company invested an amount of AED 27.4 million representing its share of additional share capital issued by the associates during the year as follows:

	AED '000
Qatar Central Cooling Company PJSC	**26,980**
Tabreed District Cooling Company (Saudi)	**491**

Tabreed District Cooling Company (Saudi) was incorporated during the year and recently commenced operations. Hence, there were no significant operating activities during the year ended 31 December 2005.

11 INTEREST IN JOINT VENTURE

The Company's share of the assets and liabilities of the joint venture, SNC – Lavalin Gulf Contractors, a limited liability company incorporated in the Emirate of Abu Dhabi, included in the consolidated financial statements are as follows:

	2005	*2004*
	AED'000	*AED'000*
Current assets	**140,342**	20,392
Non-current assets	**572**	2,599
	140,914	22,991
Current liabilities	**125,147**	17,774
Non-current liabilities	**226**	58
	125,373	17,832

There are no revenues or expenses of the joint venture for the years ended 31 December 2005 and 2004 included in the consolidated financial statements.

12 INTANGIBLES

	Goodwill		***Trademarks***		***Total***	
	2005	*2004*	***2005***	*2004*	***2005***	*2004*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Balance at 1 January	**30,030**	11,059	**14**	75	**30,044**	11,134
Additions during the year	**8,898**	19,772	**-**	-	**8,898**	19,772
Provision for impairment losses	**(594)**	-	**-**	-	**(594)**	-
Amortisation for the year	**-**	(801)	**(12)**	(61)	**(12)**	(862)
Balance at 31 December	**38,334**	30,030	**2**	14	**38,336**	30,044

13 IMPAIRMENT TESTING OF GOODWILL

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

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

Ian Banham & Associates
The recoverable amount of Ian Banham & Associates unit has been determined based on a value in use calculation using cash flow projections prepared by an external consultant in the year ended 31 December 2004 and extrapolated by the senior management using a stable growth rate to cover a five-year period. The discount rate applied to the cash flow projections is 25%.

13 IMPAIRMENT TESTING OF GOODWILL continued

Tabreed 1 District Cooling Plant

The recoverable amount of Tabreed 1 District Cooling Plant unit is also determined based on a value in use calculation using cash flow projections. The revenue included in the cash flow projections is based on a contractual agreement for the sale of chilled water to a customer for a period of 20 years. The operating costs are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 9.4%.

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

	2005	*2004*
	AED'000	*AED'000*
Ian Banham & Associates	**27,711**	18,811
Tabreed 1 District Cooling Plant	**9,712**	9,712

Key assumptions used in value in use calculation of Ian Banham & Associates and Tabreed 1 District Cooling Plant for the years ended 31 December 2005 and 2004:

The following describes each key assumption on which management has based its cash flows projections to undertake impairment testing of goodwill:

Ian Banham & Associates:
Terminal Value of business is based on the estimate provided by the external consultant in the year ended 31 December 2004 and updated by the management as at 31 December 2005.

Tabreed 1:
Price Inflation: A general price inflation level of 3% has been applied to the cash flows. The basis used to determine the value assigned to the price inflation is management's estimate of the long term average forecast for the United Arab Emirates.

Residual Value: An estimate of 20% of the original cost of the plant is used as an estimate of the residual value of the plant at the end of the term of the agreement. The useful life of the plant is in excess of the period of the contractual agreement with the customer.

14 TRADE AND OTHER RECEIVABLES

	2005	*2004*
	AED'000	*AED'000*
		(Restated)
Trade accounts receivable	**160,617**	108,523
Other receivables	**46,390**	17,411
	207,007	125,934

15 CONTRACT WORK IN PROGRESS

	2005	*2004*
	AED'000	*AED'000*
Cost plus attributable profit	**261,291**	158,844
Less: progress billings	**(192,080)**	(88,387)
	69,211	70,457

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows include the following balance sheet amounts:

	2005	*2004*
	AED'000	*AED'000*
Bank balances and cash	**520,032**	255,390
Bank overdrafts	**(111,933)**	(27,501)
	408,099	227,889

Bank balances and cash include bank deposits of AED 104.2 million (2004: AED 144.1 million) placed with commercial banks in the United Arab Emirates. These are denominated in AED with effective rates in the range of 1.7% to 5.0% (2004: 0.875% to 3.5%).

17 SHARE CAPITAL

	2005	*2004*
	AED '000	*AED '000*
Authorised and issued share capital		
1,000,000,000 ordinary shares at AED 1 each (31 December 2004: 500,000,000 ordinary shares of 1 each)	**1,000,000**	500,000

The Company's authorised share capital was increased to 100,000,000 ordinary shares at the Extra-Ordinary General Meeting held in March 2005 by way of a rights issue. The rights issue was fully subscribed to at 19 April 2005.

Further, at the Extra-Ordinary General meeting held in July 2005, the shareholders approved the split of the nominal value of the Company's ordinary shares from AED 10 to AED 1. The comparative figures have been adjusted accordingly.

18 TREASURY SHARES AND SHARE-BASED PAYMENTS

Treasury shares

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

	AED '000
Balance at 1 January 2004 (as previously reported)	-
Amount reclassified from advance to employee incentive scheme	5,050
Balance at 1 January 2004 and 31 December 2004 (restated)	5,050
Contribution during the year	5,000
Balance at 31 December 2005	**10,050**

18 TREASURY SHARES AND SHARE-BASED PAYMENTS continued

Previously the balance at 31 December 2004 was shown as an advance to employee incentive scheme under non-current assets. The Company retains the significant risks and rewards associated with the Company's ordinary shares held by a custodian. Accordingly, the amount of AED 5.05 million has been reclassified from advance to employee incentive scheme to treasury shares (shown under equity) as restatement of the balance at 1 January 2004.

The advance during the year represents the consideration paid by the Company to the custodian in respect of the rights issue (refer to note 17).

Share based payments
The employee incentive scheme ('the scheme') grants notional units of the Company's ordinary shares to qualifying employees on recommendation of the remuneration committee of the Company. These notional units of the Company's ordinary shares can be settled in cash in accordance with the terms of the scheme.

At 31 December 2005, the employee incentive scheme had outstanding notional units of the Company's ordinary shares analysed as follows:

	No. of shares
At 1 January 2005	**1,254,485**
Notional units of the Company's ordinary shares granted during the year	**517,990**
Exercised during the year	**(568,935)**
At 31 December 2005	**1,203,540**

The weighted average fair value of notional units granted during the year was AED 3.6 (2004: AED 1.24).

IFRS 2 became effective from 1 January 2005. The main impact of IFRS 2 on the Company is that the fair value of cash settled notional units of Company's ordinary shares granted to qualifying employees during the year is expensed with recognition of a liability (note 2.2). The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement and capital work in progress, as applicable (refer below).

The portion of expense arising from the grant and subsequent remeasurement at each balance sheet is included in the consolidated financial statements as follows:

	2005 ***AED '000***
Other administrative expenses (included under income statement)	**1,815**
Capital work in progress	**2,268**

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

18 TREASURY SHARES AND SHARE-BASED PAYMENTS continued

The Company has applied IFRS 2 retrospectively and the effect of the policy has been recorded as restatement of the following prior year balances:

	AED '000
Advance to employee incentive scheme	(7,366)
Retained earnings at 1 January 2004	(1,298)
Capital work in progress at 1 January 2004	1,093
Liability for cash settled notional units of Company's ordinary shares	4,158
Other payables	(9,133)

The amount of AED 9.1 million represents the reversal of the cumulative changes in value of advance to employee incentive scheme due to movements in the market value of the Company's ordinary shares. The changes in value were previously recorded under the balance sheet headings of 'advance to employee incentive scheme' and 'accounts payable and accruals'.

19 STATUTORY RESERVE

As required by the U.A.E. Commercial Companies Law of 1984 (as amended) and the articles of association of the Company and its subsidiaries, 10% of the profit for the year is transferred to the statutory reserve. The transfer for the year represents 10% of the profit of the Company before accounting for the Company's share in the results of its subsidiaries, and the Company's share in the subsidiaries' statutory reserves transferred for the year. The Company and its subsidiaries may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

20 PROPOSED BONUS SHARE DIVIDEND

The Board of Directors has proposed a bonus share dividend (2004: cash dividend) amounting to AED 50 million (2004: AED 25 million). The bonus share dividend will be submitted for approval at the Annual General Meeting in 2006.

21 TERM LOANS

	2005 AED '000	2004 AED '000
Term loans	**419,097**	239,705
Other loan	**155**	288
	419,252	239,993
Due in less than one year		
Term loans	**25,291**	26,180
Other loan	**125**	133
	25,416	26,313
Due in more than one year		
Term loans	**393,806**	213,525
Other loan	**30**	155
	393,836	213,680
	419,252	239,993

The term loans are secured by pledges over plant and capital work in progress and a corporate guarantee in accordance with the facility agreements and are summarised as follows:

On 24 November 2003, the Company entered into a 12 year, AED 700 million term loan facility agreement (the "new facility") with a syndicate of international and UAE based banks. This facility agreement is to acquire new central cooling plants, and was used to refinance the term loan amounting to AED 135 million, which is secured over previously constructed central cooling plants (Note 9), along with the repayment of the bilateral bridging loan of AED 44 million. As at 31 December 2005, the Company has drawn down an amount of AED 424 million under the new facility, repayable in 24 semi annual instalments commencing 1 October 2004 in accordance with an agreed upon schedule.

On 26 April 2005, one of the subsidiaries of the Company entered into an 11.5 year, US $20.8 million (AED: 76.4 million) term loan facility agreement with Sumitomo Mitsui Banking Corporation. This facility agreement is to construct a new central cooling plant. As at 31 December 2005 the Company has drawn an amount of AED 32.6 million under the facility, repayable in 20 semi annual instalments commencing 24 months after the date of agreement, in accordance with an agreed upon schedule.

As the term loans attract interest at rates which vary with market movements, the fair value of the term loans approximates their carrying value.

At 31 December 2005, unutilised term loan facilities available to the Company amounted to AED 319.8 million (2004: AED 450 million).

22 ISLAMIC FINANCING ARRANGEMENTS

	2005	*2004*
	AED '000	*AED '000*
Ijara loans	**324,323**	333,719
Istisna'a loans	**180,075**	180,075
Muqawala loans	**146,440**	130,147
	650,838	643,941
Due in more than one year:		
Ijara loans	**308,809**	324,323
Istisna'a loans	**180,075**	180,075
Muqawala loans	**132,263**	121,826
	621,147	626,224
Due in less than one year:		
Ijara loans	**15,514**	9,396
Muqawala loans	**14,177**	8,321
	29,691	17,717
	650,838	643,941

Ijara and Istisna'a loans:

The Islamic Ijara and Istisna'a loans consist of a number of facilities, which are secured by an assignation of the plant purchased under the Islamic financing arrangement and a joint credit and Islamic loan facility agreement.

Facility 1
The first facility of AED 150 million is repayable in 16 fixed semi-annual instalments commencing from 18 March 2004 and a fluctuating profit charge is paid under the Islamic financing agreements, which is based on EIBOR plus a margin. The amount outstanding at 31 December 2005 is AED 136.9 million (2004: AED 146.3 million).

Facility 2 (Sukuk Financing)
On 2 March 2004, the Company entered into Purchase and Ijara Agreements ('the Agreement') with Tabreed Financing Corporation for the sale and leaseback of certain assets of the Company as specified in the Agreement with a total cost of US $51 million (AED 187.4 million).

Furthermore, the Company entered into an Istisna'a Agreement dated 2 March 2004 with Tabreed Financing Corporation for the manufacture and commission of certain assets as specified in the Istisna'a Agreement amounting to US $49 million (AED 180 million). On completion, the specified assets will be sold and leased back from Tabreed Financing Corporation under similar arrangements as specified in the existing Ijara Agreement above.

In March 2009, the Company will purchase the assets leased back under the Ijara Agreement from Tabreed Financing Corporation for an amount of US $100 million, which is the full repayment of the Ijara and Istisna'a loans referred to above.

The Ijara Agreement carries 10 semi-annual rental payments of AED 5.1 million commencing 2 September 2004. In respect of the Istisna'a assets, the Company is obligated to make 10 semi-annual pre-rental payments of AED 4.9 million commencing 2 September 2004.

22 ISLAMIC FINANCING ARRANGEMENTS continued

Muqawala loans:
The Company has entered into two Islamic Muqawala loan arrangements as follows:

- The first Muqawala loan amounting to AED 26.4 million (31 December 2004: AED 28.9 million) is in respect of the procurement and manufacturing of certain items for use in the construction of plants under an Islamic loan facility agreement dated 31 July 2002. The facility is repayable in 14 semi-annual instalments commencing from 29 January 2003. A fluctuating profit charge is paid under the Islamic financing agreement which is based on market rates.

- The second Muqawala loan amounting to AED 120 million (31 December 2004: AED 101.2 million) is in respect of the construction of a project under an Islamic loan facility dated 25 March 2003. The facility is repayable in 16 semi-annual rental instalments commencing on 1 May 2006. A variable element is payable with each instalment which is based on market rates plus a mark up.

At 31 December 2005, unutilised Islamic funding available to the Company amounted to nil (31 December 2004: AED 18.7 million).

23 EMPLOYEES' END OF SERVICE BENEFITS

The Company and its subsidiaries provide for employees' end of service benefits in accordance with the employees' contracts of employment. The movements in the provision recognised in the balance sheet are as follows:

	2005 ***AED '000***	*2004* *AED '000*
Balance at 1 January	**5,604**	3,452
Net movement during the year	**2,280**	2,152
Balance at 31 December	**7,884**	5,604

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

24 ACCOUNTS PAYABLE AND ACCRUALS

	2005	*2004*
	AED '000	*AED '000*
		(Restated)
Amounts due in more than one year		
Retentions payable	**10,604**	1,194
Amounts due in less than one year		
Accounts payable	**153,339**	70,545
Retentions payable	**20,790**	17,798
Negative fair value of derivatives	**-**	1,248
Other payables	**48,159**	47,349
Payable to former shareholders	**6,906**	13,006
Due to related parties	**5,076**	1,693
Accrued expenses	**84,649**	9,572
	318,919	161,211

25 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2005			*2004*	
	Income	***Expenses***	***Fees for management services***	*Expenses*	*Fees for management services*
	AED'000	***AED'000***	***AED'000***	*AED'000*	*AED'000*
Associated companies	**840**	**-**	**2,447**	-	1,252
Other related parties	**-**	**18,330**	**-**	9,439	-
	840	**18,330**	**2,447**	9,439	1,252

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

	2005		*2004*	
	Trade receivables	***Accounts payable***	*Trade receivables*	*Accounts payable*
	AED'000	***AED'000***	*AED'000*	*AED'000*
Associated companies	**5,456**	**-**	1,794	**-**
Other related parties	**4,853**	**5,076**	-	1,693
	10,309	**5,076**	1,794	1,693

25 RELATED PARTY TRANSACTIONS continued

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

	2005	*2004*
	AED'000	*AED'000*
Short-term benefits	**20,815**	11,968
Employees' end of service benefits	**1,495**	1,369
	22,310	13,337
Number of key management personnel	**49**	39

26 DERIVATIVE FINANCIAL INSTRUMENTS

The movement in fair value of cash flow hedges was as follows:

	2005	*2004*
	AED'000	*AED'000*
Fair value included in equity at 1 January	**(6,419)**	(4,315)
Movement in fair value of cash flow hedges	**10,219**	(2,104)
Fair value included in equity at 31 December	**3,800**	(6,419)

27 CONTINGENCIES

The Company and its subsidiaries' bankers have issued guarantees on their behalf as follows:

	2005	*2004*
	AED'000	*AED'000*
		(Restated)
Performance guarantees	**22,728**	18,756
Advance payment guarantees	**70**	1,525
Letter of credit	**40,699**	10,785
Retention release guarantees	**-**	4,507
Financial guarantees	**3,617**	13,204
	67,114	48,777

28 CAPITAL COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to AED 1,393 million (2004: AED 1,179.3 million). Included in this amount is AED 1,255 million (2004: AED 778.8 million) which is expected to be incurred within one year from the balance sheet date.

29 SUBSIDIARIES

	Country of incorporation	*Percentage of holding*
Gulf Energy Systems LLC	U.A.E.	100
National Central Cooling Company Ras Al Khaimah LLC	U.A.E.	100
Emirates Preinsulated Pipes Industries LLC	U.A.E.	60
Installation Integrity 2000 LLC	U.A.E.	60
BAC Balticare Gulf LLC	U.A.E.	100
Summit District Cooling Company	U.A.E.	51
Bahrain District Cooling Company	Bahrain	55
Ian Banham and Associates	U.A.E.	70
Tabreed Holdings WLL	Bahrain	100
Tabreed LLC Oman	Oman	100

Gulf Energy Systems LLC was registered on 15 April 1995 and commenced its commercial activities thereafter.

National Central Cooling Company Ras Al Khaimah LLC was registered on 22 November 1999 and commenced its commercial activities thereafter. Effective 1 July 2004, the Company became a wholly owned subsidiary. Prior to that date it was a 60% owned subsidiary.

Emirates Preinsulated Pipes Industries LLC was registered on 13 December 2000 and commenced its commercial activities in May 2002.

Installation Integrity 2000 LLC, which was acquired in 2002, was registered on 15 May 2000 and commenced its commercial activities thereafter.

BAC Balticare Gulf LLC was registered on 7 April 2003 and commenced its commercial activities thereafter.

The Company acquired a 51% interest in Summit District Cooling Company (SDCC) on 29 May 2004. SDCC commenced its commercial activities thereafter. During the year, the Company invested an additional amount of AED 7.6 million representing its share of the additional share capital issued by the Company.

The Company acquired a 55% interest in Bahrain District Cooling Company (BDCC) on 31 October 2004. BDCC commenced its commercial activities thereafter. During the year, the Company invested an additional amount of AED 25.6 million representing its share of the additional share capital issued by the Company.

The Company acquired a 70% interest in Ian Banham and Associates on 27 October 2004. Ian Banham and Associates is already engaged in commercial activities.

Tabreed Holdings WLL was incorporated in the Kingdom of Bahrain registered as a limited liability company. The Company has a 100% equity interest in Tabreed Holdings WLL. Tabreed Holdings WLL has recently commenced commercial activities.

Tabreed LLC Oman was incorporated in the Sultanate of Oman registered as a limited liability company. The Company has a 100% equity interest in Tabreed LLC Oman. Tabreed LLC Oman has not started commercial activities as at 31 December 2005.

30 RISK MANAGEMENT

Interest rate risk
The Company and its subsidiaries are exposed to interest rate risk on their interest bearing assets and liabilities (bank overdrafts and loans). Whilst current interest rates and fluctuating profit on Islamic loans (rates) are low, management has sought to limit the exposure of the Company and its subsidiaries to any adverse future movements in rates by entering into various interest rate swap and cap deals during the year. The notional amount outstanding at 31 December 2005 was AED 1,062 million (2004: AED 1,080 million). Included in this amount is AED 601 million (2004: AED 619 million) relating to instruments which have effective dates after 31 December 2005. The derivative financial instruments entered into for the purposes of a cash flow hedge had positive (2004: negative) changes in their values amounting to AED 3.8 million (2004: Unrealised losses of AED 6.4 million) which have been recognised within equity under cumulative changes in fair values of derivatives. Management is therefore of the opinion that the Company and its subsidiaries' exposure to interest rate risk is limited.

Credit risk
The Company and its subsidiaries seek to limit their credit risk with respect to customers by monitoring outstanding receivables. The Company and its subsidiaries sell their services and products to a number of institutions in the UAE. Their three largest customers account for approximately 69% of outstanding accounts receivable at 31 December 2005 (2004: 3 customers - 63%). As amounts receivable are stated net of any required provision and are short term in nature, fair value approximates carrying value. The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk
The Company and its subsidiaries limit their liquidity risk by monitoring their current financial position in conjunction with their cash flow forecasts on a regular basis to ensure funds are available to meet their commitments for liabilities as they fall due. The Company and the subsidiaries' terms of sale require amounts to be paid within 60 to 90 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

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

31 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, payables, and accrued expenses. Derivatives consist of interest rate swap and cap deals.

The fair values of the financial assets and liabilities of the Company and its subsidiaries, are not materially different from their carrying values at the balance sheet date except for certain Islamic financing arrangements (facility 2 – Sukuk financing) as more detailed in note 22.

32 COMPARATIVE INFORMATION

Refer to note 18 for the balances which have been restated in light of changes in International Financial Reporting Standards and to improve the quality of information presented.

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