National Central Cooling Company PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2011 (UNAUDITED)

ERNST & YOUNG

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL CENTRAL COOLING COMPANY PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related statements of changes in equity and cash flows for the six month period ended 30 June 2011 and explanatory information. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst + Young

Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No. 365

10 August 2011
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT
Period ended 30 June 2011 (Unaudited)

	Notes	*Three months ended 30 June* 2011 AED '000	*Three months ended 30 June* 2010 AED '000 Restated	*Six months ended 30 June* 2011 AED '000	*Six months ended 30 June* 2010 AED '000 Restated
Revenues	3	**286,626**	265,373	**532,240**	465,056
Operating costs	3	**(169,282)**	(164,751)	**(312,916)**	(284,964)
GROSS PROFIT		**117,344**	100,622	**219,324**	180,092
Administrative and other expenses		**(36,982)**	(37,863)	**(74,575)**	(75,717)
OPERATING PROFIT		**80,362**	62,759	**144,749**	104,375
Finance costs	3	**(53,534)**	(38,073)	**(131,608)**	(70,962)
Interest income	3	**1,182**	1,501	**2,070**	1,759
Other income and changes in fair value of derivative liability	3	**881**	7,170	**36,045**	25,812
Share of results of associates	3	**14,713**	8,920	**24,803**	24,197
Share of results of joint ventures	3	**(62)**	706	**234**	1,643
PROFIT FOR THE PERIOD		**43,542**	42,983	**76,293**	86,824
Attributable to:					
Ordinary equity holders of the parent		**43,790**	40,250	**75,681**	80,688
Non-controlling interests		**(248)**	2,733	**612**	6,136
		43,542	42,983	**76,293**	86,824
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	**0.02**	0.11	**0.06**	0.21

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June 2011 (Unaudited)

	Three months ended 30 June		*Six months ended 30 June*	
	2011	*2010*	***2011***	*2010*
	AED '000	*AED '000*	***AED '000***	*AED '000*
Profit for the period	**43,542**	42,983	**76,293**	86,824
Other comprehensive income (loss)				
Changes in fair value of derivatives in cash flow hedges	**1,099**	(5,305)	**11,919**	(2,839)
Share of changes in fair value of derivatives of associate in cash flow hedges	**(2,944)**	(5,934)	**(560)**	(5,945)
Changes in fair value of available for sale investments	**-**	(845)	**-**	(809)
Exchange differences arising on translation of overseas operations	**28**	(1,339)	**(58)**	(1,346)
Other comprehensive income (loss) for the period	**(1,817)**	(13,423)	**11,301**	(10,939)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41,725**	29,560	**87,594**	75,885
Attributable to:				
Ordinary equity holders of the parent	**41,973**	26,827	**86,982**	69,749
Non-controlling interests	**(248)**	2,733	**612**	6,136
	41,725	29,560	**87,594**	75,885

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011 (Unaudited)

	Notes	***30 June 2011 AED '000***	*(Audited) 31 December 2010 AED'000*
ASSETS			
Non-current assets			
Capital work in progress	5	**1,058,249**	932,045
Property, plant and equipment		**4,509,288**	4,401,521
Intangible assets		**37,598**	37,598
Investments in associates		**318,068**	298,041
Investments in joint ventures		**5,854**	3,142
Loans to an associate and a joint venture		**57,305**	72,207
Finance lease receivable		**1,196,809**	1,194,607
		7,183,171	6,939,161
Current assets			
Inventories		**32,058**	35,796
Trade and other receivables		**785,068**	723,894
Loan to an associate		**9,781**	9,781
Finance lease receivable		**81,765**	81,888
Contract work in progress		**27,162**	40,704
Cash and short term deposits		**333,327**	361,815
		1,269,161	1,253,878
TOTAL ASSETS		**8,452,332**	8,193,039
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	6	**659,063**	243,380
Treasury shares		**(2,016)**	(2,016)
Statutory reserve		**61,115**	61,115
Accumulated losses		**(956,542)**	(1,004,808)
Foreign currency translation reserve		**(2,368)**	(2,310)
Cumulative changes in fair value of derivatives and available for sale investments		**(59,917)**	(71,276)
Mandatory convertible bond – equity component	7	**1,323,219**	1,301,679
Other reserves	7	**1,145,196**	-
Capital reduction reserve		**961,966**	961,966
		3,129,716	1,487,730
Non - controlling interests		**95,755**	94,505
Total equity		**3,225,471**	1,582,235
Non-current liabilities			
Accounts payable and accruals		**31,028**	65,624
Interest bearing loans and borrowings	8	**2,173,657**	-
Islamic financing arrangements	8	**536,890**	-
Obligation under finance lease		**32,475**	34,403
Mandatory convertible bond – liability component	7	**379,528**	-
Employees' end of service benefits		**15,605**	14,971
		3,169,183	114,998
Current liabilities			
Bank overdraft		**-**	53,717
Accounts payable and accruals		**905,729**	1,045,696
Advances		**400,000**	400,000
Interest bearing loans and borrowings	8	**10,018**	2,406,091
Islamic financing arrangements	8	**734,567**	2,320,683
Mandatory convertible bond – liability component	7	**-**	262,255
Obligations under finance lease		**7,364**	7,364
		2,057,678	6,495,806
Total liabilities		**5,226,861**	6,610,804
TOTAL EQUITY AND LIABILITIES		**8,452,332**	8,193,039

Waleed Al Mokarrab Al Muhairi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six month period ended 30 June 2011 (Unaudited)

	Attributable to equity holders of the parent											
	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Accumulated losses AED '000	Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives and available for sale investments AED '000	Mandatory convertible bond - equity component AED '000	Capital reduction reserve AED '000	Other reserve AED '000	Total AED '000	Non-controlling interests AED '000	Total equity AED '000
Balance at 1 January 2010	1,213,380	(10,050)	47,433	(1,045,766)	(692)	(77,703)	1,301,679	-	-	1,428,281	18,385	1,446,666
Profit for the period	-	-	-	80,688	-	-	-	-	-	80,688	6,136	86,824
Other comprehensive loss for the period	-	-	-	-	(1,346)	(9,593)	-	-	-	(10,939)	-	(10,939)
Total comprehensive income for the period	-	-	-	80,688	(1,346)	(9,593)	-	-	-	69,749	6,136	75,885
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary	-	-	-	(82,183)	-	-	-	-	-	(82,183)	82,183	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(14,134)	(14,134)
Balance at 30 June 2010 (unaudited)	1,213,380	(10,050)	47,433	(1,047,261)	(2,038)	(87,296)	1,301,679	-	-	1,415,847	92,570	1,508,417
Balance at 1 January 2011	243,380	(2,016)	61,115	(1,004,808)	(2,310)	(71,276)	1,301,679	961,966	-	1,487,730	94,505	1,582,235
Profit for the period	-	-	-	75,681	-	-	-	-	-	75,681	612	76,293
Other comprehensive (loss) income for the period	-	-	-	-	(58)	11,359	-	-	-	11,301	-	11,301
Total comprehensive income for the period	-	-	-	75,681	(58)	11,359	-	-	-	86,982	612	87,594
Conversion of mandatory convertible bonds into shares (note 6 and 7)	415,683	-	-	-	-	-	(1,301,679)	-	1,145,196	259,200	-	259,200
Issuance of mandatory convertible bond – equity component (note 7)	-	-	-	-	-	-	1,298,392	-	-	1,298,392	-	1,298,392
Mandatory convertible bond – coupon settled in kind (note 7)	-	-	-	(24,827)	-	-	24,827	-	-	-	-	-
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary	-	-	-	(2,588)	-	-	-	-	-	(2,588)	2,588	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,950)	(1,950)
Balance at 30 June 2011 (unaudited)	659,063	(2,016)	61,115	(956,542)	(2,368)	(59,917)	1,323,219	961,966	1,145,196	3,129,716	95,755	3,225,471

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 June 2011 (Unaudited)

	Note	***Six month period ended 30 June 2011 AED '000***	*Six month period ended 30 June 2010 AED '000 Restated*
OPERATING ACTIVITIES			
Profit for the period		**76,293**	86,824
Non cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		**59,929**	53,435
Share of results of associates		**(20,587)**	(23,020)
Share of results of joint ventures		**(234)**	(1,643)
Net movement in employees' end of service benefits		**634**	761
Finance income arising from finance lease		**(44,580)**	(24,110)
Interest income		**(2,070)**	(1,759)
Finance costs		**131,608**	70,962
Changes in fair value of derivative liability		**(5,900)**	(23,700)
		195,093	137,750
Working capital adjustments:			
Inventories		**3,738**	(624)
Trade and other receivables		**(41,996)**	(28,095)
Contract work in progress		**13,542**	(5,780)
Accounts payable and accruals		**(9,810)**	(7,420)
Lease rental received		**42,501**	13,396
Net cash flows from operating activities		**203,068**	109,227
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,257)**	(31,398)
Investment in associates		**-**	(40,570)
Payments against capital work in progress		**(403,055)**	(660,628)
Repayment of loan by an associate		**14,902**	5,428
Interest received		**2,070**	1,759
Net cash flows used in investing activities		**(389,340)**	(725,409)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		**446,710**	735,000
Interest bearing loans and borrowings repaid		**(4,822)**	-
Islamic financing arrangement received		**52,801**	-
Islamic financing arrangement repaid		**-**	(20,000)
Recapitalisation program costs paid		**(92,798)**	-
Payments for obligations under finance lease		**(1,928)**	(1,754)
Interest paid		**(186,512)**	(105,430)
Dividends paid to non-controlling interests		**(1,950)**	(14,134)
Net cash flows from financing activities		**211,501**	593,682
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,229**	(22,500)
Cash and cash equivalents at 1 January		**308,098**	252,582
CASH AND CASH EQUIVALENTS AT 30 JUNE	10	**333,327**	230,082

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

National Central Cooling Company PJSC (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 activities of the Company are to construct, own, assemble, install, operate and maintain cooling and air conditioning systems. In addition, the Company's activities include the distribution and sale of 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 interim condensed consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 10 August 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

With the completion of the recapitalization, the Group's Management and Board of Directors are confident that the capital structure and future profitability of the Group ensures the long term stability of the business. While the Group's current liabilities as at 30 June 2011 exceed current assets by AED 789 million this has been substantially reduced by the repayment of AED 735 million of liabilities due on the Sukuk 06 on 20 July 2011. While accumulated losses as at 30 June 2011 are AED 957 million, it should be noted that the equity reserves of the company are at AED 3.1 billion as at 30 June 2011.

Given the above post balance sheet event, the accounts have been prepared on a going concern basis.

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

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed 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 otherwise indicated.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2010. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.3 SIGNIFICANT ACCOUNTING POLICIES

As a result of a voluntary change in accounting policy for accounting treatment relating to joint ventures from proportionate consolidation to equity accounting method, the following adjustments were made to the comparative numbers for the six months ended 30 June 2010:

	Six months ended 30 June 2010 As previously Reported (Note 1) AED '000	*Effect of change in accounting policy AED '000*	*Six months ended 30 June 2010 As restated AED '000*
Consolidated income statement			
Revenues	477,525	(12,469)	465,056
Operating cost	295,562	(10,598)	284,964
Administrative and other expenses	75,946	(229)	75,717
Interest income	1,760	(1)	1,759
Share of results of joint ventures	-	1,643	1,643

The above change in accounting policy did not have an effect on the reported profit for the period ended 30 June 2010 and therefore did not impact the earnings per share.

Note 1: Adjusted for reclassifications (note 12)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the following new standards and interpretations as of 1 January 2011, noted below:

- IAS 32 Financial Instruments: Presentation- Classification of Rights Issues (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRS (issued 2010)
  - IFRS 1 First Time Adoption of International Financial Reporting Standards
  - IFRS 3 Business Combinations
  - IFRS 7 Financial Instruments Disclosures
  - IAS 1 Presentation of Financial Statements
  - IAS 27 Consolidation and Separate Financial Statements
  - IAS 34 Interim Financial Reporting
  - IFRIC 13 Customer Loyalty Programmes

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

3 SEGMENT INFORMATION

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

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

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

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

The following table present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively.

	Chilled water AED '000	*Contracting AED '000*	*Manufacturing AED '000*	*Services AED '000*	*Eliminations AED '000*	*Total AED '000*
Period ended 30 June 2011:						
Revenue:						
External revenue	425,603	52,883	29,502	24,252	-	532,240
Inter-segment revenue	-	80,458	-	4,572	(85,030)	-
Total revenue	425,603	133,341	29,502	28,824	(85,030)	532,240
Operating costs	(234,956)	(128,872)	(23,102)	(12,069)	86,083	(312,916)
Gross profit	190,647	4,469	6,400	16,755	1,053	219,324
Segment Results	129,836	3,403	2,421	6,972	2,117	144,749
Finance costs	-	-	-	-	-	(131,608)
Other income and changes in fair value of derivative liability	-	-	-	-	-	36,045
Interest income	-	-	-	-	-	2,070
Share of results of associates	24,803	-	-	-	-	24,803
Share of results of joint ventures	234	-	-	-	-	234
Profit for the period						76,293

3 SEGMENT INFORMATION continued

	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Services AED '000	Eliminations AED '000	Total AED '000
Period ended 30 June 2010 (unaudited):						
Revenue:						
External revenue	330,527	72,058	28,866	33,605	-	465,056
Inter-segment revenue	-	7,677	12,643	4,902	(25,222)	-
Total revenue	330,527	79,735	41,509	38,507	(25,222)	465,056
Operating costs	(206,734)	(58,894)	(28,260)	(15,099)	24,023	(284,964)
Gross profit	123,793	20,841	13,249	23,408	(1,199)	180,092
Segment Results	64,262	17,126	8,791	15,255	(1,059)	104,375
Finance costs	-	-	-	-	-	(70,962)
Other income and changes in fair value of derivative liability	-	-	-	-	-	25,812
Interest income	-	-	-	-	-	1,759
Share of results of associates	24,197	-	-	-	-	24,197
Share of results of joint ventures	1,643	-	-	-	-	1,643
Profit for the period						86,824

Intersegment revenues are eliminated on consolidation.

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

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

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

	Three months ended 30 June 2011	*Three months ended 30 June* 2010	*Six months ended 30 June* 2011	*Six months ended 30 June* 2010
Profit for the period attributable to ordinary equity holders of the parent for basic and diluted earnings (*AED '000*)	43,790	40,250	75,681	80,688
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	372,204	241,364	306,784	241,364
Effect of convertible bonds ('000)	1,803,419	135,312	969,365	135,312
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bonds ('000)	2,175,623	376,676	1,276,149	376,676
Basic and diluted earnings per share (AED)	0.02	0.11	0.06	0.21

The weighted average number of ordinary shares outstanding for the period ended 30 June 2010 has been adjusted for the effect of reduction in share capital during 2010, and for the increase in share capital on conversion of mandatory convertible bond of AED 1.7 billion and the settlement of associated coupon of AED 246.5 million during the period ended 30 June 2011 (note 7).

5 CAPITAL WORK IN PROGRESS

During the six month period ended 30 June 2011 the Group has incurred expenditure of AED 340 million (30 June 2010: AED 207 million) primarily relating to construction of district cooling plants. Included in the additions to capital work in progress are capitalised finance costs amounting to AED 5 million (30 June 2010: AED 52 million).

6 SHARE CAPITAL

	2010	*2009*
	AED '000	*AED '000*
Authorised, issued and fully paid up share capital		
Ordinary shares of 659,063,447 (2010: 243,380,000) at AED 1 each	**659,063**	243,380

During the period, the issued share capital increased by AED 415,683 thousand shares as a result of early repurchase of mandatory convertible bond (note 7).

7 MANDATORY CONVERTIBLE BONDS

Issuance of mandatory convertible bond MCB 1;
To settle its AED 1,700 million interest bearing loan, the Company, on 1 April 2011, issued a mandatory convertible bond in the form of trust certificates for a total value of AED 1,700 million, maturing in March 2019.

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

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

Transaction costs in connection with the issuance of the bond amounted to AED 26.3 million (note 8).

The liability component of the bond of AED 379.5 million (net of allocated transaction costs of AED 5.9 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds from the bond amounting to AED 1,298.4 million (net of allocated transaction costs of AED 20.4 million) has been recognised as the equity component of the bond and adjusted for the settlement in kind of the coupon.

7 MANDATORY CONVERTIBLE BONDS continued

Issuance of mandatory convertible bond MCB 1: continued

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

	Mandatory Convertible bond - liability component AED '000	*Mandatory Convertible bond - equity component AED '000*	*Total AED '000*
Present value of annual coupon payments	381,214	-	381,214
Equity component	-	1,318,786	1,318,786
Allocated prepaid transaction costs	(5,906)	(20,394)	(26,300)
On inception	375,308	1,298,392	1,673,700
Accretion expense	3,756	-	3,756
Amortization of transaction costs	464	-	464
Coupon settled in kind	-	24,827	24,827
Balance at 30 June 2011	**379,528**	**1,323,219**	**1,702,747**

Analyzed in the interim consolidated statement of financial position as follows:	*Mandatory Convertible bond - liability component AED '000*
Less than one year	-
More than one year	379,528
	379,528

Early repurchase of mandatory convertible bond MCB 08;

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

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

8 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

Restructuring of bank loans:

During the period, the existing lenders of the Company unanimously approved the agreement to refinance AED 2.6 billion of existing liabilities and to extend a new AED 150 million revolving facility to the Company.

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

The facility A is repayable in 13 equal semi-annual instalments amounting to AED 76.9 million commencing from 31 March 2013 with the last instalment due on 31 March 2019 Facility B is repayable in a bullet payment on 31 March 2019.

After 31 March 2013, the Company is liable to make accelerated repayments of the term facilities under the refinancing agreement, subject to availability of cash at the applicable date.

The revolving facility of AED 150 million can be utilised in the form of issuance of documentary credits and drawing cash advances up to an amount of AED 75 million, out of which an amount of cash advance of AED 53 million has been drawn by the Company during the period. The revolving facility carries interest at 0.58% to 1.75% for issuance of documentary credits and EIBOR plus a margin on cash drawings and is repayable on 31 March 2019 with an annual clean down of no more than AED 5 million of cash advances made.

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

Funding from Mubadala Development Company PJSC

On 1 April 2011, the Group secured AED 3.1 billion of new, committed long term capital from Mubadala Development PJSC to ensure that Company has a robust and sustainable capital structure.

AED 1.4 billion of the above facilities is in the form of a subordinated loan facility, maturing on 31 December 2012 and carries a fixed interest rate of 2% per annum, to be settled in kind by compounding into the principal amount on a quarterly basis. The facility is available for drawdown to the Company till its maturity. No draw downs have been made by the Company as at 30 June 2011. Subject to minimum liquidity position of the Company as of the maturity date, a portion of the facility will be settled in form of a mandatory convertible bond with terms similar to the MCB 1 (note 7) and remaining in form of a bond that will be settled in cash in two equal annual instalments on 31 December 2013 and 31 December 2014, subject to minimum liquidity position as of these dates.

AED 1.7 billion of above facilities is in the form of issuance of a mandatory convertible bond to settle AED 1.7 billion interest bearing loan (note 7).

Transaction costs on restructuring of bank loans and funding from Mubadala Development Company PJSC amounted to AED 127 million, allocated as under:

	AED '000
Mandatory convertible bond – equity component (note 7)	**20,394**
Mandatory convertible bond – liability component (note 7)	**5,906**
Interest bearing loans and borrowings and Islamic financing arrangements	**74,990**
Subordinated loan facility	**21,657**
Charged to the consolidated income statement	**4,409**
	127,356

9 COMMITMENTS AND CONTINGENCIES

Commitments
The authorised capital expenditure contracted for at 30 June 2011 but not provided for amounted to AED 277 million (31 December 2010: AED 606 million).

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

	At 30 June 2011 AED '000	*At 31 December 2010 AED '000*
Performance guarantees	**102,076**	112,182
Advance payment guarantees	**13,225**	13,705
Financial guarantees	**10,732**	9,982
	126,033	135,869

10 BANK BALANCES AND CASH

Geographical concentration of bank balances and cash is as follows:

	At 30 June 2011 AED '000	*At 30 June 2010 AED '000*
Within UAE	**303,748**	196,955
Outside UAE	**29,579**	33,127
	333,327	230,082

11 RELATED PARTY TRANSACTIONS

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

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

	30 June 2011				*30 June 2010*			
	Revenue AED'000	***Operating costs AED'000***	***Interest expense AED'000***	***Other income AED'000***	*Revenue AED'000 Restated*	*Operating costs AED'000*	*Interest expense AED'000*	*Other income AED'000*
Associated companies	-	44,131	-	2,138	-	51,580	-	2,170
Joint venture	610	-	-	-	7,677	-	-	-
Major shareholder	28,588	-	23,085	-	48,466	-	5,861	-
Other related parties	39,485	-	-	-	27,525	-	-	-

11 RELATED PARTY TRANSACTIONS continued

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

	30 June 2011				*31 December 2010*			
	Loan receivable AED '000	***Interest bearing loans and borrowings AED '000***	***Other receivables AED '000***	***Other payables and advances AED '000***	*Loan receivable AED '000 Restated*	*Interest bearing loans and borrowings AED '000*	*Other receivables AED '000 Restated*	*Other payables and advances AED '000 Restated*
Associated companies	**10,542**	**-**	**16,397**	**32,636**	25,444	-	12,862	29,042
Joint venture	**56,544**	**-**	**5,765**	**38,133**	56,544	-	34,754	114,898
Major shareholder (a)	**-**	**-**	**33,873**	**-**	-	1,255,000	20,649	12,767
Other related parties	**-**	**-**	**177,939**	**400,000**	-	-	139,727	400,000
	67,086	**-**	**233,974**	**470,769**	81,988	1,255,000	207,992	556,707

On 1 April 2011, the Group secured AED 3.1 billion of new, committed long term capital from Mubadala Development. AED 1.7 billion of above facilities is in the form of issuance of a mandatory convertible bond (note 7) that was issued to settle AED 1.7 billion interest bearing loan (note 8) of which AED 1.255 billion was drawn down as at 31 December 2010. AED 1.4 billion of the above facilities is in the form of a subordinated loan facility, maturing on 31 December 2012, out of which no draw downs has been made as at June 30 2011 (note 8).

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

	At 30 June 2011 AED '000	*At 30 June 2010 AED '000*
Short-term benefits	**8,755**	9,604
Employees' end of service benefits	**564**	260
	9,319	9,864
Number of key management personnel	**16**	20

12 COMPARATIVE INFORMATION

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

Consolidated income statement

- Revenues of AED 45 million for the period ended 30 June 2010 which was previously reported under 'administrative and other expenses' have been reclassified and are now shown separately in revenues.
- Operating costs of AED 51 million for the period ended 30 June 2010 which was previously reported under 'administrative and other expenses' have been reclassified and are now shown separately in operating costs.
- Staff costs amounting to AED 9 million were reclassified from 'administrative and other expenses' to operating costs.

13 SUBSEQUENT EVENTS

On 20 July 2011, the Company repaid in full, an Islamic financing arrangement (Sukuk 06) amounting to AED 735 million. The liability is repaid from the proceeds of draw down from Subordinated Loan facility from Mubadala Development Company PJSC (note 8).