

National Central Cooling Company PJSC

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2012 (UNAUDITED)

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 31 March 2012, comprising of the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period ended 31 March 2012 and explanatory notes. 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.



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

30 April 2012
Abu Dhabi

National Central Cooling Company PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Three month period ended 31 March 2012 (Unaudited)

		<i>Three month period ended 31 March 2012 AED '000</i>	<i>Three month period ended 31 March 2011 AED '000</i>
	<i>Notes</i>		
Revenues	3	219,020	245,614
Operating costs	3	(108,116)	(143,634)
GROSS PROFIT		110,904	101,980
Administrative and other expenses		(37,369)	(37,593)
OPERATING PROFIT		73,535	64,387
Finance costs	3	(48,603)	(78,074)
Interest income	3	3,595	888
Changes in fair value of derivative liability and other income	3	158	35,164
Share of results of associates	3	7,251	10,090
Share of results of joint ventures	3	(492)	296
PROFIT FOR THE PERIOD		35,444	32,751
Attributable to:			
Ordinary equity holders of the parent		36,786	31,891
Non-controlling interests		(1,342)	860
		35,444	32,751
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	0.01	0.08

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three month period ended 31 March 2012 (Unaudited)

	<i>Three month period ended 31 March 2012 AED '000</i>	<i>Three month period ended 31 March 2011 AED '000</i>
PROFIT FOR THE PERIOD	35,444	32,751
Other comprehensive income		
Changes in fair value of derivatives in cash flow hedges	(8,051)	10,820
Share of changes in fair value of derivatives of associate in cash flow hedges	2,459	2,384
Exchange differences arising on translation of overseas operations	(7)	(86)
Other comprehensive (loss) income for the period	(5,599)	13,118
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	29,845	45,869
Attributable to:		
Ordinary equity holders of the parent	31,187	45,009
Non-controlling interests	(1,342)	860
	29,845	45,869

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012 (Unaudited)

		(Audited)
		31 December
		2011
		AED '000
	Notes	AED '000
ASSETS		
Non-current assets		
Capital work in progress	5	466,661
Property, plant and equipment		4,607,463
Intangible assets		37,596
Investments in associates		345,575
Investments in joint ventures		4,434
Loans to a joint venture		56,544
Finance lease receivables		1,614,610
		<u>7,132,883</u>
Current assets		
Inventories		33,072
Accounts receivable and prepayments		767,238
Loan to an associate		3,662
Finance lease receivables		120,631
Contract work in progress		49,716
Cash and short term deposits		523,864
		<u>1,498,183</u>
Assets classified as held for sale		<u>103,297</u>
TOTAL ASSETS		<u>8,734,363</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Issued capital		659,063
Treasury shares		(2,016)
Statutory reserve		79,386
Retained earnings		44,887
Foreign currency translation reserve		(2,310)
Cumulative changes in fair value of derivatives		(46,749)
Mandatory convertible bond and subordinated loan facility – equity component	6	1,975,422
Other reserve		1,145,196
		<u>3,852,879</u>
Non-controlling interests		<u>85,956</u>
Total equity		<u>3,938,835</u>
Non-current liabilities		
Accounts payable and accruals		41,462
Interest bearing loans and borrowings		2,112,713
Islamic financing arrangements		527,607
Obligations under finance lease		29,406
Mandatory convertible bond and subordinated loan facility– liability component	6	894,510
Employees' end of service benefits		17,090
		<u>3,622,788</u>
Current liabilities		
Accounts payable and accruals		656,545
Advances from a related party		400,000
Interest bearing loans and borrowings		72,811
Islamic financing arrangements		11,110
Mandatory convertible bond and subordinated loan facility – liability component	6	24,910
Obligations under finance lease		7,364
		<u>1,172,740</u>
Total liabilities		<u>4,795,528</u>
TOTAL EQUITY AND LIABILITIES		<u>8,734,363</u>

Waleed Al Mokarrab Al Muhairi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2012 (Unaudited)

	Attributable to equity holders of the parent										Total equity	
	Issued capital	Treasury shares	Statutory reserve	Retained earnings / (accumulated losses)	Foreign currency translation reserve	Cumulative changes in fair value of derivatives	Mandatory convertible bond and subordinated loan facility - equity component	Capital reduction reserve	Other reserve	Total		Non-controlling interests
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
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	-	-	-	31,891	-	-	-	-	-	31,891	860	32,751
Other comprehensive income for the period	-	-	-	-	(86)	13,204	-	-	-	13,118	-	13,118
Total comprehensive income for the period	-	-	-	31,891	(86)	13,204	-	-	-	45,009	860	45,869
Balance at 31 March 2011	243,380	(2,016)	61,115	(972,917)	(2,396)	(58,072)	1,301,679	961,966	-	1,532,739	95,365	1,628,104
Balance at 1 January 2012	659,063	(2,016)	79,386	38,278	(2,303)	(41,157)	1,945,245	-	1,145,196	3,821,692	92,391	3,914,083
Profit for the period	-	-	-	36,786	-	-	-	-	-	36,786	(1,342)	35,444
Other comprehensive loss for the period	-	-	-	-	(7)	(5,592)	-	-	-	(5,599)	-	(5,599)
Total comprehensive income for the period	-	-	-	36,786	(7)	(5,592)	-	-	-	31,187	(1,342)	29,845
Mandatory convertible bond – coupon settled in kind (note 6)	-	-	-	(26,648)	-	-	26,648	-	-	-	-	-
Subordinated loan facility Tranche A – coupon settled in kind (note 6)	-	-	-	(3,529)	-	-	3,529	-	-	-	-	-
Additional capital contribution by non-controlling interest shareholders	-	-	-	-	-	-	-	-	-	-	1,907	1,907
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(7,000)	(7,000)
Balance at 31 March 2012	659,063	(2,016)	79,386	44,887	(2,310)	(46,749)	1,975,422	-	1,145,196	3,852,879	85,956	3,938,835

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three month period ended 31 March 2012 (Unaudited)

	<i>Three month period ended 31 March 2012</i>	<i>Three month period ended 31 March 2011</i>
<i>Note</i>	<i>AED '000</i>	<i>AED '000</i>
OPERATING ACTIVITIES		
Profit for the period	35,444	32,751
Non-cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property, plant and equipment	31,940	30,187
Finance income relating to finance lease receivable	(30,313)	(22,280)
Share of results of associates	(6,190)	(9,476)
Share of results of joint ventures	492	(296)
Net movement in employees' end of service benefits	-	583
Interest income	(3,595)	(888)
Finance costs	48,603	78,074
Changes in fair value of derivative liability	-	(5,900)
	<u>76,381</u>	<u>102,755</u>
Working capital adjustments:		
Inventories	837	3,005
Accounts receivable and prepayments	22,895	(107,784)
Contract work in progress	(1,411)	(30,352)
Accounts payable and accruals	(24,018)	42,280
Lease rental received	21,187	21,251
Net cash flows from operating activities	<u>95,871</u>	<u>31,155</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(1,175)
Payments for capital work in progress	(40,557)	(250,485)
Interest received	1,934	888
Net cash flows used in investing activities	<u>(38,623)</u>	<u>(250,772)</u>
FINANCING ACTIVITIES		
Interest bearing loans and borrowings received	-	446,710
Islamic financing arrangement received	-	52,801
Payment for obligations under finance lease	(1,047)	(952)
Additional capital contribution by non controlling interest shareholders	1,907	-
Dividends paid to non-controlling interests shareholders	(7,000)	-
Interest paid	(39,241)	(153,398)
Net cash flows (used in) from financing activities	<u>(45,381)</u>	<u>345,161</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,867	125,544
Cash and cash equivalents at 1 January	<u>511,997</u>	<u>308,098</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	8 <u>523,864</u>	<u>433,642</u>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

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 Company is a subsidiary of Mubadala Development Company PJSC ("MDC" or the "Parent Company"). The principal activity of the Company is to supply chilled water. Activities of the subsidiaries are described in note 9 to the consolidated financial statements.

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

The interim condensed consolidated financial statements of the Group were authorised for issuance by the Board of Directors on 30 April 2012.

2.1 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 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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 2011, except for the adoption of the following amended standards as 1 January 2012, noted below:

- IAS 12 Income Taxes – Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

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

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

3 SEGMENT INFORMATION

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

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

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

	Three month period ended 31 March 2012				Three month period ended 31 March 2011			
	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000
Revenue								
External revenue	193,168	25,852	-	219,020	183,577	62,037	-	245,614
Inter-segment revenue	-	1,252	(1,252)	-	-	32,827	(32,827)	-
Total revenue	193,168	27,104	(1,252)	219,020	183,577	94,864	(32,827)	245,614
Operating costs	(87,933)	(21,905)	1,722	(108,116)	(96,841)	(79,570)	32,777	(143,634)
Gross profit	105,235	5,199	470	110,904	86,736	15,294	(50)	101,980
Results								
Segment results	73,190	(366)	711	73,535	56,660	7,386	341	64,387
Finance costs	-	-	-	(48,603)	-	-	-	(78,074)
Interest income	-	-	-	3,595	-	-	-	888
Changes in fair value of derivative liability and other income	-	-	-	158	-	-	-	35,164
Share of results of associates	7,251	-	-	7,251	10,090	-	-	10,090
Share of results of joint ventures	(492)	-	-	(492)	296	-	-	296
Profit for the period				35,444				32,751

Inter-segment revenues are eliminated on consolidation.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

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

Basic earnings per share is calculated as follows:

- profit for the period attributable to ordinary equity holders of the parent; divided by the total of:
- weighted average number of ordinary shares (excluding treasury shares) outstanding during the period, and
- weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond.

Diluted earnings per share is calculated as follows:

- profit for the period attributable to ordinary equity holders of the parent (after adjusting for accretion on subordinated loan facility – liability component); divided by the total of:
- weighted average number of ordinary shares used to calculate basic earnings per share; and
- weighted average number of ordinary shares that would be issued on conversion of mandatory convertible bond and subordinated loan facility (note 6).

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

Basic earnings per share

	<i>Three month period ended 31 March 2012 AED '000</i>	<i>Three month period ended 31 March 2011 AED '000</i>
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>36,786</u>	<u>31,891</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	<u>657,047</u>	241,364
Effect of mandatory convertible bond ('000)	<u>2,312,382</u>	<u>135,312</u>
Total ('000)	<u>2,969,429</u>	<u>376,676</u>
Basic earnings per share (AED)	<u>0.01</u>	<u>0.08</u>

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

Diluted earnings per share

Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>36,786</u>	31,891
Accretion on subordinated loan facility – Tranche B (AED'000) (note 6)	<u>3,662</u>	-
Profit for the period attributable to ordinary equity holders of the parent for diluted earnings (AED '000)	<u>40,448</u>	<u>31,891</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>2,969,429</u>	376,676
Effect of dilution for subordinated loan facility Tranche B ('000)	<u>365,202</u>	-
Total ('000)	<u>3,334,631</u>	<u>376,676</u>
Diluted earnings per share (AED)	<u>0.01</u>	<u>0.08</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

5 CAPITAL WORK IN PROGRESS

During the three month period ended 31 March 2012 the Group has incurred expenditure of AED 13.5 million (31 March 2011: AED 192 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 nil (31 March 2011: AED 4.2 million).

6 MANDATORY CONVERTIBLE BOND AND SUBORDINATED LOAN FACILITY

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

	<i>Mandatory convertible bond (MCB 1)</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2012	393,447	1,366,135	1,759,582
Accretion expense	3,936	-	3,936
Amortisation of transaction costs	199	-	199
Coupon settled in kind	-	26,648	26,648
Balance at 31 March 2012	397,582	1,392,783	1,790,365
	<i>Subordinated loan facility – Tranche A</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2012	150,482	545,756	696,238
Accretion expense	1,497	-	1,497
Amortisation of transaction costs	78	-	78
Coupon settled in kind	-	3,529	3,529
Balance at 31 March 2012	152,057	549,285	701,342
	<i>Subordinated loan facility – Tranche B</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance at 1 January 2012	365,931	33,354	399,285
Accretion expense	3,662	-	3,662
Amortisation of transaction costs	188	-	188
Balance at 31 March 2012	369,781	33,354	403,135
Total balance of MCB1 and SBL at 31 March 2012	919,420	1,975,422	2,894,842
Total balance of MCB1 and SBL at 31 December 2011	909,860	1,945,245	2,855,105

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2012 (Unaudited)

6 MANDATORY CONVERTIBLE BOND AND SUBORDINATED LOAN FACILITY continued

Liability component of mandatory convertible bond and subordinated loan facility is analysed in the consolidated statement of financial position as follows:

	<i>At 31 March 2012 AED '000</i>	<i>At 31 December 2011 AED '000</i>
Current	24,910	-
Non current	894,510	909,860
	<u>919,420</u>	<u>909,860</u>

7 COMMITMENTS AND CONTINGENCIES

Commitments

The authorised capital expenditure contracted for at 31 March 2012 but not provided for amounted to AED 84 million (31 December 2011: AED 157 million).

Contingencies

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

	<i>At 31 March 2012 AED '000</i>	<i>At 31 December 2011 AED '000</i>
Performance guarantees	127,283	103,686
Advance payment guarantees	12,697	11,351
Financial guarantees	11,913	8,925
	<u>151,893</u>	<u>123,962</u>

8 CASH AND CASH EQUIVALENTS

Geographical concentration of cash and cash equivalents is as follows:

	<i>At 31 March 2012 AED '000</i>	<i>At 31 March 2011 AED '000</i>
Within UAE	493,952	395,520
Outside UAE	29,912	38,122
	<u>523,864</u>	<u>433,642</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2012 (Unaudited)

9 RELATED PARTY TRANSACTIONS

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

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

	<i>Three month period ended 31 March 2012</i>				<i>Three month period ended 31 March 2011</i>			
	<i>Revenue</i>	<i>Operating costs</i>	<i>Interest expense</i>	<i>Other income</i>	<i>Revenue</i>	<i>Operating costs</i>	<i>Interest expense</i>	<i>Other income</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Associated companies	-	21,810	-	1,054	-	21,754	-	1,078
Joint venture	-	-	-	-	610	-	-	-
Majority shareholder	8,399	-	9,095	-	18,635	-	21,391	-
Associate of majority shareholder	10,477	-	-	-	8,805	-	-	-

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

	<i>31 March 2012</i>				<i>31 December 2011</i>			
	<i>Loan Receivable</i>	<i>Mandatory convertible bond and subordinated loan facility</i>	<i>Accounts receivable</i>	<i>Accounts payables and advances</i>	<i>Loan receivable</i>	<i>Interest bearing loans and borrowings</i>	<i>Accounts receivable</i>	<i>Accounts payables and advances</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Associated companies	3,662	-	13,505	30,214	3,662	-	19,724	33,241
Joint venture	56,544	-	5,404	-	56,544	-	5,058	-
Majority shareholder	-	2,894,842	-	-	-	2,855,105	-	-
Associate of a majority shareholder	-	-	270,726	400,000	-	-	257,338	400,000
	<u>60,206</u>	<u>2,894,842</u>	<u>289,635</u>	<u>430,214</u>	<u>60,206</u>	<u>2,855,105</u>	<u>282,120</u>	<u>433,241</u>

Compensation of key management personnel

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

	<i>Three month period ended 31 March 2012</i>	<i>Three month period ended 31 March 2011</i>
	<i>AED '000</i>	<i>AED '000</i>
Short-term benefits	4,927	4,374
Employees' end of service benefits	233	313
	<u>5,160</u>	<u>4,687</u>
Number of key management personnel	<u>21</u>	<u>20</u>