

# National Central Cooling Company PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2014 (UNAUDITED)



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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 2014, comprising of the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the six month period ended 30 June 2014 and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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:  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No. 811

24 July 2014  
Abu Dhabi

## National Central Cooling Company PJSC

### INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2014 (Unaudited)

		<i>Three month period ended 30 June 2014</i>	<i>Three month period ended 30 June 2013</i>	<i>Six month period ended 30 June 2014</i>	<i>Six month period ended 30 June 2013</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Revenues	3	<b>299,092</b>	278,646	<b>526,290</b>	497,221
Operating costs	3	<b>(159,713)</b>	(144,619)	<b>(267,878)</b>	(251,472)
<b>GROSS PROFIT</b>		<b>139,379</b>	134,027	<b>258,412</b>	245,749
Administrative and other expenses		<b>(39,143)</b>	(38,308)	<b>(79,861)</b>	(74,477)
<b>OPERATING PROFIT</b>		<b>100,236</b>	95,719	<b>178,551</b>	171,272
Finance costs		<b>(33,665)</b>	(37,591)	<b>(68,073)</b>	(77,560)
Finance income		<b>1,223</b>	959	<b>2,916</b>	2,277
Other gains and losses		<b>(2,474)</b>	1,261	<b>(2,147)</b>	1,319
Share of results of associates and joint ventures		<b>25,634</b>	19,017	<b>38,445</b>	29,317
<b>PROFIT FOR THE PERIOD</b>		<b>90,954</b>	79,365	<b>149,692</b>	126,625
Attributable to:					
Ordinary equity holders of the parent		<b>90,355</b>	79,365	<b>148,595</b>	127,206
Non-controlling interests		<b>599</b>	-	<b>1,097</b>	(581)
		<b>90,954</b>	79,365	<b>149,692</b>	126,625
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	<b>0.03</b>	0.02	<b>0.04</b>	0.04

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

## National Central Cooling Company PJSC

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2014 (Unaudited)

	<i>Three month period ended 30 June 2014 AED '000</i>	<i>Three month period ended 30 June 2013 AED '000</i>	<i>Six month period ended 30 June 2014 AED '000</i>	<i>Six month period ended 30 June 2013 AED '000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>90,954</b>	79,365	<b>149,692</b>	126,625
<b>Other comprehensive income</b>				
Board remuneration for the year 2013 (note 14)	-	-	<b>(4,500)</b>	(7,500)
<b>Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods</b>	<b>-</b>	-	<b>(4,500)</b>	(7,500)
Net movement in fair value of derivatives in cash flow hedges	<b>(7,574)</b>	5,373	<b>(2,396)</b>	2,009
Share of changes in fair value of derivatives of an associate in cash flow hedges	<b>(1,104)</b>	2,481	<b>(15)</b>	4,808
Exchange differences arising on translation of overseas operations	<b>(27)</b>	(11)	<b>(31)</b>	(37)
<b>Net other comprehensive (expense) income to be reclassified to profit or loss in subsequent periods</b>	<b>(8,705)</b>	7,843	<b>(2,442)</b>	6,780
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>82,249</b>	87,208	<b>142,750</b>	125,905
Attributable to:				
Ordinary equity holders of the parent	<b>81,650</b>	87,208	<b>141,653</b>	126,486
Non-controlling interests	<b>599</b>	-	<b>1,097</b>	(581)
	<b>82,249</b>	87,208	<b>142,750</b>	125,905

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# National Central Cooling Company PJSC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 (Unaudited)

		30 June 2014 AED '000	(Audited) 31 December 2013 AED '000
<b>ASSETS</b>	<i>Notes</i>		
<b>Non-current assets</b>			
Capital work in progress	6	112,374	117,711
Property, plant and equipment	7	3,540,147	4,778,566
Intangible assets		37,596	37,596
Investments in associates and joint ventures	8	528,392	452,248
Loan to a joint venture		72,276	72,276
Finance lease receivables	9	2,777,943	1,618,906
		<u>7,068,728</u>	<u>7,077,303</u>
<b>Current assets</b>			
Inventories		40,276	37,026
Accounts receivable and prepayments		514,439	458,524
Finance lease receivables	9	223,412	117,787
Contract work in progress		43,671	43,208
Cash and short term deposits		439,857	670,382
		<u>1,261,655</u>	<u>1,326,927</u>
Asset held for sale		21,055	21,055
		<u>1,282,710</u>	<u>1,347,982</u>
<b>TOTAL ASSETS</b>		<u>8,351,438</u>	<u>8,425,285</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		659,063	659,063
Treasury shares		(2,016)	(2,016)
Statutory reserve		130,256	130,256
Retained earnings		446,172	335,030
Foreign currency translation reserve		(2,518)	(2,487)
Cumulative changes in fair value of derivatives		(52,447)	(50,036)
Mandatory convertible bond – equity component	11	2,584,117	2,487,017
Other reserve	15	922,888	1,019,988
		<u>4,685,515</u>	<u>4,576,815</u>
<b>Non – controlling interests</b>		69,165	74,258
<b>Total equity</b>		<u>4,754,680</u>	<u>4,651,073</u>
<b>Non-current liabilities</b>			
Accounts payable, accruals and provisions	5	125,692	23,378
Interest bearing loans and borrowings		1,801,514	1,857,114
Islamic financing arrangements		293,495	484,653
Obligations under finance lease		18,785	21,346
Mandatory convertible bond– liability component	11	409,525	453,045
Employees' end of service benefits		20,459	19,851
		<u>2,669,470</u>	<u>2,859,387</u>
<b>Current liabilities</b>			
Accounts payable, accruals and provisions	5	582,154	564,667
Advances from a related party		73,869	73,869
Interest bearing loans and borrowings		136,118	135,872
Islamic financing arrangements		22,894	22,894
Mandatory convertible bond– liability component	11	104,889	110,159
Obligations under finance lease		7,364	7,364
		<u>927,288</u>	<u>914,825</u>
<b>Total liabilities</b>		<u>3,596,758</u>	<u>3,774,212</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,351,438</u>	<u>8,425,285</u>

Waleed Al Mokarrab Al Muhairi  
CHAIRMAN

Jasim H. Thabet  
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

## National Central Cooling Company PJSC

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2014 (Unaudited)

	<i>Issued capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Cumulative changes in fair value of derivatives</i>	<i>Mandatory convertible bonds - equity component</i>	<i>Other reserve</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</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>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Balance at 1 January 2013	659,063	(2,016)	103,021	130,209	(2,424)	(48,500)	2,353,138	1,153,867	4,346,358	80,233	4,426,591
Profit (loss) for the period	-	-	-	127,206	-	-	-	-	127,206	(581)	126,625
Other comprehensive (expense) income for the period	-	-	-	(7,500)	(37)	6,817	-	-	(720)	-	(720)
Total comprehensive income (expense) for the period	-	-	-	119,706	(37)	6,817	-	-	126,486	(581)	125,905
Dividends paid to ordinary shareholders (note 14)	-	-	-	(32,795)	-	-	-	-	(32,795)	-	(32,795)
Transfer from other reserves to retained earnings	-	-	-	133,879	-	-	-	(133,879)	-	-	-
Issuance of mandatory convertible bond 4 in lieu of cash dividend to existing MCB (note 14)	-	-	-	(133,879)	-	-	133,879	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	3,570	3,570
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,533)	(4,533)
<b>Balance at 30 June 2013</b>	<b>659,063</b>	<b>(2,016)</b>	<b>103,021</b>	<b>217,120</b>	<b>(2,461)</b>	<b>(41,683)</b>	<b>2,487,017</b>	<b>1,019,988</b>	<b>4,440,049</b>	<b>78,689</b>	<b>4,518,738</b>
<b>Balance at 1 January 2014</b>	<b>659,063</b>	<b>(2,016)</b>	<b>130,256</b>	<b>335,030</b>	<b>(2,487)</b>	<b>(50,036)</b>	<b>2,487,017</b>	<b>1,019,988</b>	<b>4,576,815</b>	<b>74,258</b>	<b>4,651,073</b>
Profit for the period	-	-	-	148,595	-	-	-	-	148,595	1,097	149,692
Other comprehensive (expense) income for the period	-	-	-	(4,500)	(31)	(2,411)	-	-	(6,942)	-	(6,942)
Total comprehensive income (expense) for the period	-	-	-	144,095	(31)	(2,411)	-	-	141,653	1,097	142,750
Transfer from other reserves (note 15)	-	-	-	137,851	-	-	-	(137,851)	-	-	-
On disposal of subsidiary (note 8)	-	-	-	-	-	-	-	-	-	(593)	(593)
Issuance of mandatory convertible bond 4 in lieu of cash dividend to existing MCB (note 14)	-	-	-	(137,851)	-	-	97,100	40,751	-	-	-
Dividends paid to ordinary shareholders (note 14)	-	-	-	(32,953)	-	-	-	-	(32,953)	-	(32,953)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,597)	(5,597)
<b>Balance at 30 June 2014</b>	<b>659,063</b>	<b>(2,016)</b>	<b>130,256</b>	<b>446,172</b>	<b>(2,518)</b>	<b>(52,447)</b>	<b>2,584,117</b>	<b>922,888</b>	<b>4,685,515</b>	<b>69,165</b>	<b>4,754,680</b>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

## National Central Cooling Company PJSC

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2014 (Unaudited)

		<i>Six month period ended 30 June 2014 AED '000</i>	<i>Six month period ended 30 June 2013 AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>149,692</b>	126,625
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment	7	<b>65,577</b>	69,272
Finance income relating to finance lease receivable	9	<b>(77,768)</b>	(60,835)
Share of results of associates and joint ventures		<b>(38,445)</b>	(29,317)
Net movement in employees' end of service benefits		<b>1,179</b>	1,292
Other gains and losses		<b>2,147</b>	-
Interest income		<b>(2,916)</b>	(2,277)
Finance costs		<b>68,073</b>	77,560
		<b>167,539</b>	182,320
Working capital adjustments:			
Inventories		<b>(3,250)</b>	(2,009)
Accounts receivable and prepayments		<b>(57,507)</b>	26,333
Contract work in progress		<b>(463)</b>	5,144
Accounts payable and accruals		<b>27,648</b>	(4,129)
Lease rentals received	9	<b>93,575</b>	66,764
Board remuneration		<b>(4,500)</b>	(7,500)
Net cash flows from operating activities		<b>223,042</b>	266,923
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(44,756)</b>	(997)
Dividends from associates		<b>19,006</b>	17,108
Proceeds from sale of an associate and a subsidiary		<b>1,749</b>	-
Payments for capital work in progress		<b>(27,642)</b>	(59,866)
Interest received		<b>2,817</b>	1,406
Net cash flows used in investing activities		<b>(48,826)</b>	(42,349)
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received		<b>11,212</b>	-
Interest bearing loans and borrowings repaid		<b>(70,890)</b>	(69,537)
Cash coupon paid on mandatory convertible bonds	11	<b>(60,294)</b>	(60,294)
Islamic financing arrangement repaid		<b>(192,345)</b>	(11,795)
Payment for obligations under finance lease		<b>(2,561)</b>	(2,330)
Interest paid		<b>(51,313)</b>	(58,054)
Capital contribution by non-controlling interests		<b>-</b>	3,570
Dividends paid to ordinary shareholders	14	<b>(32,953)</b>	(32,795)
Dividends paid to non-controlling interests		<b>(5,597)</b>	(4,533)
Net cash flows used in financing activities		<b>(404,741)</b>	(235,768)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(230,525)</b>	(11,194)
Cash and cash equivalents at 1 January		<b>670,382</b>	560,417
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	10	<b>439,857</b>	549,223

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

## National Central Cooling Company PJSC

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (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.

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 authorized for issuance by the Board of Directors on 24 July 2014.

#### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

##### 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 2013. In addition, results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

##### 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 2013, except for the adoption of the following new and amended standards and interpretations as on 1 January 2014.

However, the adoption of the new and amended standards does not impact the interim condensed consolidated financial statements of the Group. The nature of each new standard, interpretation or amendment is described below:

##### **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.



## National Central Cooling Company PJSC

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 2.2 SIGNIFICANT ACCOUNTING POLICIES continued

##### **Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

##### **Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

##### **Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36**

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These amendments have no impact on the Group.

##### **IFRIC 21 Levies**

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The adoption of IFRIC 21 did not have any impact on the Group.

### 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 systems.
- The 'Value chain business' support 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 interim condensed consolidated financial statements. However, Group financing (finance costs and interest income) are managed on a group basis and are not allocated to operating segments.

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 3 SEGMENT INFORMATION continued

	Six month period ended 30 June 2014				Six month period ended 30 June 2013			
	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
<b>Revenue</b>								
External revenue	483,076	43,214	-	526,290	464,789	32,432	-	497,221
Inter-segment revenue		5,796	(5,796)	-	-	5,267	(5,267)	-
<b>Total revenue</b>	<b>483,076</b>	<b>49,010</b>	<b>(5,796)</b>	<b>526,290</b>	<b>464,789</b>	<b>37,699</b>	<b>(5,267)</b>	<b>497,221</b>
Operating costs	(238,109)	(36,722)	6,953	(267,878)	(232,335)	(25,598)	6,461	(251,472)
<b>Gross profit</b>	<b>244,967</b>	<b>12,288</b>	<b>1,157</b>	<b>258,412</b>	<b>232,454</b>	<b>12,101</b>	<b>1,194</b>	<b>245,749</b>
<b>Results</b>								
Operating profit	172,787	4,430	1,334	178,551	166,428	3,498	1,346	171,272
Finance costs	-	-	-	(68,073)	-	-	-	(77,560)
Finance income	-	-	-	2,916	-	-	-	2,277
Other gains and losses	-	-	-	(2,147)	-	-	-	1,319
Share of results of associates and joint ventures	38,445	-	-	38,445	29,317	-	-	29,317
<b>Profit for the period</b>				<b>149,692</b>				<b>126,625</b>

Inter-segment revenues are eliminated on consolidation.

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

Basic earnings per share are calculated by dividing the profit for the 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 bonds (note 11).

Diluted earnings per share amounts 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 used to calculate basic earnings per share, plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

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

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

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

	<i>Three month period ended 30 June 2014</i>	<i>Three month period ended 30 June 2013</i>	<i>Six month period ended 30 June 2014</i>	<i>Six month period ended 30 June 2013</i>
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>90,355</u>	<u>79,365</u>	<u>148,595</u>	<u>127,206</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	<u>657,047</u>	657,047	<u>657,047</u>	657,047
Effect of mandatory convertible bond ('000)	<u>2,814,616</u>	<u>2,743,772</u>	<u>2,788,374</u>	<u>2,710,678</u>
Total ('000)	<u>3,471,663</u>	<u>3,400,819</u>	<u>3,445,421</u>	<u>3,367,725</u>
Basic and dilutive earnings per share (AED)	<u>0.03</u>	<u>0.02</u>	<u>0.04</u>	<u>0.04</u>

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

The potential ordinary shares to be issued on new tranche of MCB-4 have been estimated based on fixed exchange ratio calculated using 1-week value weighted average share price as on 1 May 2014 (note 11).

#### 5 ACCOUNTS PAYABLE, ACCRUALS AND PROVISIONS

Construction cost provisions were recorded upon recognition of certain property, plant and equipment as finance leases in prior years. In the period therefrom, management utilized cost effective and efficient construction strategies and to fully complete the construction of the related plants. Management's direct oversight and precise execution resulted in cost savings of AED 44.6 million. After completion of detailed inspection and testing during the period, the savings have been released to the consolidated statement of income and reported under other gains and losses.

#### 6 CAPITAL WORK IN PROGRESS

During the six month period ended 30 June 2014, the Group has incurred expenditure of AED 10.7 million (30 June 2013: AED 34 million) primarily relating to construction of district cooling plants.

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 7 PROPERTY, PLANT AND EQUIPMENT

	<i>Land, plant and buildings AED'000</i>	<i>Distribution network AED'000</i>	<i>Vehicles, fixtures and office equipment AED'000</i>	<i>Total AED'000</i>
<b>Cost:</b>				
At 1 January 2014	4,124,728	2,267,015	50,910	6,442,653
Additions	39,534	4,547	675	44,756
Transfer from capital work in progress	7,936	1,525	-	9,461
Derecognition (note 9)	(870,801)	(396,983)	-	(1,267,784)
Asset written off	(14,225)	-	-	(14,225)
Subsidiary disposed off (note 8)	-	-	(648)	(648)
Disposals	-	-	(157)	(157)
At 30 June 2014	<u>3,287,172</u>	<u>1,876,104</u>	<u>50,780</u>	<u>5,214,056</u>
<b>Depreciation:</b>				
At 1 January 2014	580,938	198,973	45,429	825,340
Depreciation for the period	51,005	13,469	1,103	65,577
Derecognition (note 9)	(186,250)	(47,542)	-	(233,792)
Asset written off	(692)	-	-	(692)
Subsidiary disposed off	-	-	(489)	(489)
Disposals	-	-	(157)	(157)
At 30 June 2014	<u>445,001</u>	<u>164,900</u>	<u>45,886</u>	<u>655,787</u>
Net carrying amount before provision for impairment:				
At 30 June 2014	2,842,171	1,711,204	4,894	4,558,269
<b>Impairment:</b>				
Balance as 1 January 2014	483,299	355,448	-	838,747
Impairment during the period – (i)	75,362	104,013	-	179,375
At 30 June 2014	<u>558,661</u>	<u>459,461</u>	<u>-</u>	<u>1,018,122</u>
<b>Net carrying amount</b>				
<b>At 30 June 2014</b>	<u>2,283,510</u>	<u>1,251,743</u>	<u>4,894</u>	<u>3,540,147</u>
Net carrying amount				
At 31 December 2013	<u>3,060,491</u>	<u>1,712,594</u>	<u>5,481</u>	<u>4,778,566</u>

(i) Impairment and write off of property, plant and equipment

The real estate sector in Bahrain is yet to recover from the unprecedented events brought about by the global financial crisis of 2007-2010 and key real estate developments have been delayed. In addition, the Company is in discussions with a customer regarding load amendments and negotiations are slow as a result of economic issues. As a result thereof, Management has prudently recorded impairment for the amount of shortfall of recoverable value over the carrying amount of the property, plant and equipment representing the best estimate as at 30 June 2014.

The Company applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment approved by the Company's management and Board of Directors, discounted using the weighted average cost of capital, adjusted for risks specific to the assets. The impairment and write off charge has been reported in the interim consolidated income statement under other gains and losses.

## National Central Cooling Company PJSC

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### **8 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the period, the Company incorporated a 100% subsidiary, Tabreed Al Maryah District Cooling Investment LLC (TAM), in the Emirate of Abu Dhabi with a share capital of AED 300,000. The principal activity of the company is to hold an investment in a joint venture engaged in the supply of chilled water in the Al Maryah Island in Abu Dhabi.

On 30 June 2014, the Company, together with a joint venture partner, incorporated Business District Cooling Investment LLC ("BDCI") with an initial equity injection of AED 58.4 million each. The investment has been accounted for as a joint venture under equity method of accounting as both the joint venturers jointly control and have equal rights to the net assets.

During the period, the Company sold its stake in a subsidiary, Installation Integrity 2006 WLL to an associate, Qatar Central Cooling Company QCSC for AED 1.1 million. The transaction was made at book value and accordingly no gain or loss was recognised.

In addition to the above, during the period, the Company also sold its stake in an associate, Cooltech Qatar WLL to another associate Qatar Central Cooling Company QCSC for AED 1.8 million. The transaction was made at book value and accordingly no gain or loss was recognised.

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2014 (Unaudited)

#### 9 FINANCE LEASE RECEIVABLES

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

	<i>At 30 June 2014 AED '000</i>
At 1 January 2014	1,736,693
Initial recognition of new finance lease receivables during the period (ii)	1,280,469
Finance lease income	77,768
Lease rentals received	<u>(93,575)</u>
At 30 June 2014	<u>3,001,355</u>

Analysed in the consolidated statement of financial position as follows:

	<i>At 30 June 2014 AED '000</i>	<i>At 31 December 2014 AED '000</i>
Current assets	223,412	117,787
Non-current assets	<u>2,777,943</u>	<u>1,618,906</u>
	<u>3,001,355</u>	<u>1,736,693</u>

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

	<i>At 30 June 2014</i>		<i>At 31 December 2013</i>	
	<i>Minimum lease receivables AED '000</i>	<i>Present value of minimum lease AED '000</i>	<i>Minimum lease receivables AED '000</i>	<i>Present value of minimum lease AED '000</i>
Within one year	230,879	223,412	122,108	117,787
After one but no more than five years	944,245	782,319	515,018	417,605
More than five years	<u>4,529,417</u>	<u>1,995,624</u>	<u>3,163,958</u>	<u>1,201,301</u>
	5,704,541	3,001,355	3,801,084	1,736,693
Unearned revenue (i)	<u>(2,703,186)</u>	-	<u>(2,064,391)</u>	-
	<u>3,001,355</u>	<u>3,001,355</u>	<u>1,736,693</u>	<u>1,736,693</u>

(i) Movement in unearned revenue is as follows:

	<i>At 30 June 2014 AED '000</i>
At 1 January 2014	2,064,391
Relating to new finance leases Recognised during the period	<u>716,563</u>
	<u>(77,768)</u>
At 30 June 2014	<u>2,703,186</u>

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

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 9 FINANCE LEASE RECEIVABLES continued

- (ii) During the period, the Company signed an amendment to the Master Cooling Agreement (the “Amendment Agreement”) with a customer. The Amendment Agreement introduces various revisions to the terms of the original Master Cooling Agreement for specified plants and related distribution network.

Management has carried out a reassessment of the arrangement to provide cooling services to the customer through the specified plants in accordance with the terms of the Amendment Agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the specified plants and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the specified plants to the customer.

Consequently, the carrying amount of the specified plants and related distribution network amounting to AED 1,034 million has been derecognized from property, plant and equipment and finance lease receivable has been recorded at fair value at the inception of the Amendment Agreement amounting to AED 1,280 million, thereby resulting in a gain of AED 246 million, furthermore, the Company also recognized a provision of AED 102 million on an onerous contract with an associate for the purchase of chilled water related to plants covered by the Amendment Agreement. These items have been reported in the interim consolidated income statement under other gains and losses. The fair value of leased assets has been determined using a Discounted Cash Flow model.

#### 10 CASH AND CASH EQUIVALENTS

Geographical concentration of cash and cash equivalents is as follows:

	<i>At 30 June 2014 AED '000</i>	<i>At 30 June 2013 AED '000</i>
Within UAE	<b>431,862</b>	528,486
Outside UAE	<b>7,995</b>	20,737
	<b><u>439,857</u></b>	<b><u>549,223</u></b>

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 11 MANDATORY CONVERTIBLE BONDS

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

	<b>Mandatory convertible bond (MCB 1A)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>2014</b>			
Balance at 1 January 2014	208,899	870,575	1,079,474
Accretion expense	4,059	-	4,059
Amortisation of transaction costs	164	-	164
Cash coupons paid	(22,292)	-	(22,292)
<b>Balance at 30 June 2014</b>	<b>190,830</b>	<b>870,575</b>	<b>1,061,405</b>

	<b>Mandatory convertible bond (MCB 1B)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>2014</b>			
Balance at 1 January 2014	220,111	922,612	1,142,723
Accretion expense	4,296	-	4,296
Amortisation of transaction costs	275	-	275
Cash coupons paid	(23,594)	-	(23,594)
<b>Balance at 30 June 2014</b>	<b>201,088</b>	<b>922,612</b>	<b>1,123,700</b>

	<b>Mandatory convertible bond (MCB 1C)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>2014</b>			
Balance at 1 January 2014	134,194	559,951	694,145
Accretion expense	2,624	-	2,624
Amortisation of transaction costs	86	-	86
Cash coupons paid	(14,408)	-	(14,408)
<b>Balance at 30 June 2014</b>	<b>122,496</b>	<b>559,951</b>	<b>682,447</b>



## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2014 (Unaudited)

#### 11 MANDATORY CONVERTIBLE BONDS continued

	<b>Mandatory convertible bond (MCB 4)</b>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<b>2014</b>			
Balance at 1 January 2014	-	133,879	133,879
Issued during the period (i)	-	97,100	97,100
<b>Balance at 30 June 2014</b>	<b>-</b>	<b>230,979</b>	<b>230,979</b>
<b>Total balance of MCBs at 30 June 2014</b>	<b>514,414</b>	<b>2,584,117</b>	<b>3,098,531</b>
Total balance of MCBs at 31 December 2013	563,204	2,487,017	3,050,221
Allocated to the bonds as follows:			
MCB 1A (989,944,912 shares at AED 1 each)	190,830	870,575	1,061,405
MCB 1B (1,047,776,962 shares at AED 1 each)	201,088	922,612	1,123,700
MCB 1C (639,862,459 shares at AED 1 each)	122,496	559,951	682,447
MCB 4 (79,426,201 shares at AED 1 each)	-	133,879	133,879
MCB 4- new tranche (57,605,736 shares at AED 1 each) (i)	-	97,100	97,100
Total 2,814,616,270 shares @ AED 1 each	<b>514,414</b>	<b>2,584,117</b>	<b>3,098,531</b>

Liability component of mandatory convertible bonds is analysed in the interim consolidated statement of financial position as follows:

	<b>At 30 June 2014 AED '000</b>	<b>At 31 December 2013 AED '000</b>
Current	<b>104,889</b>	110,159
Non-current	<b>409,525</b>	453,045
	<b>514,414</b>	563,204

(i) In the Annual General Meeting held on 24 March 2014, the shareholders approved a new tranche of MCB 4 to be issued in the form of trust certificates maturing in April 2019. The value of the new tranche amounting to AED 97.1 million has been estimated based on a fixed exchange ratio calculated using 1-week value weighted average share price as on 1 May 2014. All other terms of the new tranche are similar to those of MCB 4 already in issue.

	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
Mandatory convertible bonds equivalent number of shares ('000)	<b>2,757,010</b>	2,677,584
Approved dividend – 5 fils per share (AED'000)	<b>137,850</b>	133,879
1-week value weighted average share price (AED)	<b>2.3930</b>	1.6856
Shares issued in lieu of dividend ('000)	<b>57,606</b>	79,426
Strike price as per MCB 4 agreement (AED)	<b>1.6856</b>	1.6856
<b>Value of MCB 4 issued during the period (AED'000)</b>	<b>97,100</b>	133,879

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### 12 COMMITMENTS AND CONTINGENCIES

##### Capital commitments

The authorised capital expenditure contracted for at 30 June 2014 but not provided for amounted to AED 78 million (31 December 2013: AED 58 million).

The Company has given an undertaking on a loan drawn down by an associate to inject sufficient equity to enable the associate to repay the loan in 2 years' time in case the loan has not been fully repaid.

##### Contingencies

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

	<b>At 30 June 2014 AED '000</b>	<b>At 31 December 2013 AED '000</b>
Performance guarantees	<b>121,827</b>	119,654
Advance payment guarantees	<b>2,030</b>	2,030
Financial guarantees	<b>2,586</b>	2,586
	<b><u>126,443</u></b>	<b><u>124,270</u></b>

#### 13 RELATED PARTY TRANSACTIONS

Related parties represent the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), 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 interim consolidated income statement are as follows:

	<i>Six month period ended 30 June 2014</i>				<i>Six month period ended 30 June 2013</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	-	44,319	-	2,166	-	44,503	-	2,128
Majority shareholder	-	-	10,978	-	-	-	12,875	-
Associate of majority shareholder	57,750	-	-	-	49,529	-	-	-
Government related departments and institutions	14,837	44,957	13,996	-	15,408	41,393	15,650	-
	<b><u>72,587</u></b>	<b><u>89,276</u></b>	<b><u>24,974</u></b>	<b><u>2,166</u></b>	<b><u>64,937</u></b>	<b><u>85,896</u></b>	<b><u>28,525</u></b>	<b><u>2,128</u></b>

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2014 (Unaudited)

#### 13 RELATED PARTY TRANSACTIONS continued

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

	<i>30 June 2014</i>				
	<i>Loan receivable AED'000</i>	<i>Mandatory convertible bonds AED'000</i>	<i>Accounts receivable AED'000</i>	<i>Accounts payables and advances AED'000</i>	<i>Interest bearing loans and Islamic financing arrangements AED'000</i>
Associated companies	-	-	15,662	29,776	-
Joint venture	72,276	-	8,290	-	-
Majority shareholder	-	3,098,529	-	58,395	-
Associate of a majority shareholder	-	-	125,809	73,869	-
Government related departments and institutions	-	-	8,153	3,669	809,025
	<u>72,276</u>	<u>3,098,529</u>	<u>157,914</u>	<u>165,709</u>	<u>809,025</u>
	<i>31 December 2013</i>				
	<i>Loan receivable AED'000</i>	<i>Mandatory convertible bonds AED'000</i>	<i>Accounts receivable AED'000</i>	<i>Accounts payables and advances AED'000</i>	<i>Interest bearing loans and Islamic financing arrangements AED'000</i>
Associated companies	-	-	20,323	32,868	-
Joint venture	72,276	-	7,313	-	-
Majority shareholder	-	3,050,221	223	-	-
Associate of a majority shareholder	-	-	138,009	73,869	-
Government related departments and institutions	-	-	10,443	3,442	906,690
	<u>72,276</u>	<u>3,050,221</u>	<u>176,311</u>	<u>110,179</u>	<u>906,690</u>

#### Compensation of key management personnel

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

	<i>Six month period ended 30 June 2014 AED '000</i>	<i>Six month period ended 30 June 2013 AED '000</i>
Short-term benefits	10,350	8,792
Employees' end of service benefits	466	347
	<u>10,816</u>	<u>9,139</u>
Number of key management personnel	<u>20</u>	<u>18</u>

## National Central Cooling Company PJSC

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014 (Unaudited)

#### **14 DIVIDENDS**

During the period, the Board of Directors proposed a dividend of 5 fils per share pertaining to both common shareholders and mandatory convertible bond holders in respect of the fiscal year ended 31 December 2013. This dividend was approved by the shareholders at the Annual General Meeting held on 24 March 2014.

The dividend consisted of a cash payment of AED 32.9 million to the common shareholders and a settlement of dividends accruing to holders of the mandatory convertible bonds in the form of a new tranche of mandatory convertible bonds (MCB 4) with no coupon, convertible into the Company's shares by April 2019 (note 11).

Furthermore, Board of Directors' remuneration of AED 4.5 million for the year ended 31 December 2013 was also approved at the Annual General Meeting held on 24 March 2014. Board remuneration of AED 7.5 million for the year ended 31 December 2012 was approved at the previous Annual General Meeting on 16 April 2013.

#### **15 OTHER RESERVE**

The Company's Board of Directors resolved to transfer an amount of AED 137.8 million from the other reserve to retained earnings during the period.

The difference between the dividend amount attributable to the mandatory convertible bond holder and the book value of MCB 4 issued based on the strike price of AED 1.6856 for 57,605,736 shares has been transferred to other reserve.