

**NATIONAL CENTRAL COOLING
COMPANY PJSC**

Review report and condensed consolidated
interim financial information
for the nine month period ended
30 September 2017

NATIONAL CENTRAL COOLING COMPANY PJSC

**Review report and condensed consolidated interim financial information
for the nine month period ended 30 September 2017**

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
National Central Cooling Company PJSC
Abu Dhabi, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2017 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 and consequently 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 financial information is not prepared, in all material respects in accordance with IAS 34, "Interim Financial Reporting".

Deloitte & Touche (M.E.)



Signed by:
Rama Padmanabha Acharya
Registration No. 701
7 November 2017
Abu Dhabi
United Arab Emirates

NATIONAL CENTRAL COOLING COMPANY PJSC

**Condensed consolidated interim statement of profit or loss
for the nine month period ended 30 September 2017 (unaudited)**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Revenues	5	409,812	381,682	1,049,054	960,252
Operating costs	5	(262,898)	(223,347)	(589,627)	(518,650)
GROSS PROFIT		146,914	158,335	459,427	441,602
Administrative and other expenses		(39,865)	(40,550)	(141,040)	(137,809)
OPERATING PROFIT		107,049	117,785	318,387	303,793
Finance costs	5	(39,580)	(40,495)	(121,720)	(115,467)
Finance income	5	53	104	126	272
Other income	5	195	282	1,488	4,697
Share of results of associates and joint ventures	5	28,632	31,716	91,021	79,925
PROFIT FOR THE PERIOD		96,349	109,392	289,302	273,220
Attributable to:					
Ordinary equity holders of the parent		97,715	108,868	290,395	269,320
Non-controlling interests		(1,366)	524	(1,093)	3,900
		96,349	109,392	289,302	273,220
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	6	0.04	0.04	0.11	0.10

The accompanying notes are an integral part of these condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

**Condensed consolidated interim statement of comprehensive income
for the nine month period ended 30 September 2017 (unaudited)**


	Three months ended 30 September		Nine months ended 30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Profit for the period	96,349	109,392	289,302	273,220
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement in fair value of derivatives in cash flow hedges	(2,349)	3,313	(16,551)	(8,222)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	1,026	2,344	(5,229)	(17,966)
Exchange differences arising on translation of overseas operations	(21)	(25)	(51)	(58)
Total comprehensive income for the period	95,005	115,024	267,471	246,974
Attributable to:				
Ordinary equity holders of the parent	96,371	114,500	268,564	243,074
Non-controlling interest	(1,366)	524	(1,093)	3,900
	95,005	115,024	267,471	246,974

The accompanying notes are an integral part of these condensed consolidated interim financial information.


NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of financial position as at 30 September 2017


		30 September 2017 (unaudited) AED '000	31 December 2016 (audited) AED '000
ASSETS	<i>Notes</i>		
Non-current assets			
Capital work in progress	7	156,368	117,775
Property, plant and equipment	7	3,775,014	3,845,225
Intangible assets		27,710	27,710
Investments in associates and joint ventures		791,476	826,096
Finance lease receivables		2,730,771	2,782,567
		7,481,339	7,599,373
Current assets			
Inventories		33,252	32,026
Accounts receivable and prepayments	15	587,004	409,115
Finance lease receivables		240,908	230,918
Cash and term deposits	8	389,205	389,961
		1,250,369	1,062,020
TOTAL ASSETS		8,731,708	8,661,393
EQUITY AND LIABILITIES			
Equity			
Issued capital	9	2,715,529	738,490
Treasury shares		(2,016)	(2,016)
Statutory reserve		234,092	234,092
Retained earnings		1,002,246	888,361
Foreign currency translation reserve		(2,766)	(2,715)
Cumulative changes in fair value of derivatives in cash flow hedges		(51,331)	(29,551)
Mandatory convertible bond – equity component	10	-	1,772,476
Other reserve		706,920	768,086
Equity attributable to the equity holders of the parent		4,602,674	4,367,223
Non – controlling interests		67,825	70,868
Total equity		4,670,499	4,438,091
Non-current liabilities			
Accounts payable, accruals and provisions		131,688	133,110
Interest bearing loans and borrowings	11	1,926,457	2,887,187
Islamic financing arrangements	11	1,128,550	-
Obligations under finance lease		-	3,979
Mandatory convertible bond– liability component	10	-	97,729
Employees' end of service benefits		24,837	22,649
		3,211,532	3,144,654
Current liabilities			
Accounts payable, accruals and provisions		613,483	643,663
Interest bearing loans and borrowings	11	163,808	342,712
Islamic financing arrangements	11	66,208	-
Mandatory convertible bond– liability component	10	-	84,909
Obligations under finance lease		6,178	7,364
		849,677	1,078,648
Total liabilities		4,061,209	4,223,302
TOTAL EQUITY AND LIABILITIES		8,731,708	8,661,393



Khaled Abdulla Al Qubaisi
Chairman



Jasim H. Thabet
Chief Executive Officer



Stephen John Ridlington
Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2017 (unaudited)

	Attributable to equity holders of the parent										Total equity AED '000
	Issued capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives AED '000	Mandatory convertible bonds - equity component AED '000	Other reserve AED '000	Total AED '000	Non-controlling interests AED '000	
Balance at 1 January 2016 (audited)	738,490	(2,016)	197,356	720,667	(2,573)	(32,119)	1,772,476	768,086	4,160,367	65,399	4,225,766
Profit during the period	-	-	-	269,320	-	-	-	-	269,320	3,900	273,220
Other comprehensive loss for the period	-	-	-	-	(58)	(26,188)	-	-	(26,246)	-	(26,246)
Total comprehensive income/(loss) for the period	-	-	-	269,320	(58)	(26,188)	-	-	243,074	3,900	246,974
Dividends paid to ordinary shareholders (note 14)	-	-	-	(44,310)	-	-	-	-	(44,310)	-	(44,310)
Dividends paid to MCB holder (note 14)	-	-	-	(118,622)	-	-	-	-	(118,622)	-	(118,622)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,111)	(6,111)
Balance at 30 September 2016 (unaudited)	738,490	(2,016)	197,356	827,055	(2,631)	(58,307)	1,772,476	768,086	4,240,509	63,188	4,303,697
Balance at 1 January 2017 (audited)	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	768,086	4,367,223	70,868	4,438,091
Profit during the period	-	-	-	290,395	-	-	-	-	290,395	(1,093)	289,302
Other comprehensive loss for the period	-	-	-	-	(51)	(21,780)	-	-	(21,831)	-	(21,831)
Total comprehensive income/(loss) for the period	-	-	-	290,395	(51)	(21,780)	-	-	268,564	(1,093)	267,471
Dividends paid to ordinary shareholders (note 14)	-	-	-	(48,002)	-	-	-	-	(48,002)	-	(48,002)
Dividends paid to MCB holder (note 14)	-	-	-	(128,508)	-	-	-	-	(128,508)	-	(128,508)
Conversion of MCB into ordinary shares	1,977,039	-	-	-	-	-	(1,772,476)	(61,166)	143,397	-	143,397
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,950)	(1,950)
Balance at 30 September 2017 (unaudited)	2,715,529	(2,016)	234,092	1,002,246	(2,766)	(51,331)	-	706,920	4,602,674	67,825	4,670,499

The accompanying notes are an integral part of these condensed consolidated interim financial information

NATIONAL CENTRAL COOLING COMPANY PJSC
**Condensed consolidated interim statement of cash flows
for the nine month period ended 30 September 2017 (unaudited)**

	Notes	Nine months ended 30 September	
		2017 AED '000	2016 AED '000
OPERATING ACTIVITIES			
Profit for the period		289,302	273,220
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		104,397	94,255
Finance lease income		(141,119)	(139,393)
Share of results of associates and joint ventures		(91,021)	(79,925)
Net movement in employees' end of service benefits		2,188	1,313
Other gain		(1,488)	(1,608)
Interest income		(126)	(272)
Finance costs		121,720	115,467
		283,853	263,057
Working capital adjustments:			
Inventories		(1,226)	(969)
Accounts receivable and prepayments		(178,088)	(187,165)
Accounts payable, accruals and provisions		85,939	83,100
Lease rentals received		182,925	176,119
Board of directors' remuneration paid		(7,125)	(7,125)
		366,278	327,017
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(111,961)	(19,342)
Payments for capital work in progress		(83,588)	(128,842)
Investment in a joint venture		-	(91,837)
Dividends from a joint venture		78,269	24,000
Dividends from associates		39,708	22,747
Proceeds from sale of land		-	11,224
Interest received		325	375
		(77,247)	(181,675)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	11	119,961	359,826
Interest bearing loans and borrowings repaid	11	(1,276,730)	(132,017)
Cash coupon paid on mandatory convertible bonds	10	(43,222)	(64,833)
Islamic financing arrangement received		1,220,000	-
Payment for obligations under finance lease		(5,165)	(4,699)
Interest paid		(106,699)	(91,575)
Arrangement fees paid		(19,472)	(2,664)
Dividends paid to ordinary shareholders and Mandatory Convertible Bond holder		(176,510)	(162,932)
Dividends paid to non-controlling interests		(1,950)	(6,111)
		(289,787)	(105,005)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(756)	40,337
Cash and cash equivalents at 1 January		389,961	193,446
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	389,205	233,783

The accompanying notes are an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2017

1 General information

National Central Cooling Company PJSC (“Tabreed” or the “Company”) is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the UAE Federal Law No. (2) of 2015 and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (the “Group”) are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy.

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

2 Application of new and revised International Financial Reporting Standards (“IFRSs”)

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018

NATIONAL CENTRAL COOLING COMPANY PJSC
**Notes to the condensed consolidated interim financial statements
for the nine month period ended 30 September 2017 (continued)**
2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)
2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i></p> <p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	1 January 2018
<p>Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions</p>	1 January 2018
<p>Amendments to IAS 40 <i>Investment Property</i>: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.</p>	1 January 2018
<p>Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9</p>	When IFRS 9 is first applied
<p>IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9</p>	When IFRS 9 is first applied

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

NATIONAL CENTRAL COOLING COMPANY PJSC

**Notes to the condensed consolidated interim financial statements
for the nine month period ended 30 September 2017 (continued)**

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>IFRS 15 <i>Revenue from Contracts with Customers</i></p> <p>In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective.</p> <p>The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.</p>	<p>1 January 2018</p>
<p>Amendments to IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>	<p>1 January 2018</p>
<p>IFRS 16 <i>Leases</i></p> <p>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>	<p>1 January 2019</p>

NATIONAL CENTRAL COOLING COMPANY PJSC

**Notes to the condensed consolidated interim financial statements
for the nine month period ended 30 September 2017 (continued)**

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
Amendments to IFRS 9 Financial Instruments regarding prepayment features with negative compensation and modifications of financial liabilities.	1 January 2019
Amendments to IAS 28 Investments in Associates and Joint Ventures regarding long-term interests in associates and joint ventures.	1 January 2019
IFRIC 23 <i>Uncertainty Over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effect of changes in facts and circumstances. 	
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated interim financial information as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2017 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's condensed consolidated interim financial information for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's condensed consolidated interim financial information for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated interim financial information in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated interim financial information in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3 Summary of significant accounting policies

Basis of preparation

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

The condensed consolidated interim financial information has been presented in United Arab Emirates Dirhams (AED), which is the functional currency of the Group. All values are rounded to the nearest thousand (AED '000) except otherwise indicated.

The condensed consolidated interim financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. In addition, results for the nine month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the new and amended standards.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2017 (continued)

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

5 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 consolidated financial statements. However, Group financing (finance costs and interest income) are managed on a group basis and are not allocated to operating segments.

	Nine month period ended 30 September 2017 (unaudited)				Nine month period ended 30 September 2016 (unaudited)			
	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	993,513	55,541	-	1,049,054	870,626	89,626	-	960,252
Inter-segment revenue	-	12,046	(12,046)	-	-	16,176	(16,176)	-
Total revenue	993,513	67,587	(12,046)	1,049,054	870,626	105,802	(16,176)	960,252
Operating costs	(553,999)	(42,546)	6,918	(589,627)	(462,770)	(70,659)	14,779	(518,650)
Gross profit	439,514	25,041	(5,128)	459,427	407,856	35,143	(1,397)	441,602
Administrative and other expenses	(121,777)	(21,618)	2,355	(141,040)	(118,922)	(21,580)	2,693	(137,809)
Operating profit	317,737	3,243	(2,773)	318,387	288,934	13,563	1,296	303,793
Finance costs	-	-	-	(121,720)	-	-	-	(115,467)
Finance income	-	-	-	126	-	-	-	272
Other income	-	-	-	1,488	-	-	-	4,697
Share of results of associates and joint ventures	91,021	-	-	91,021	79,925	-	-	79,925
Profit for the period				289,302				273,220

Inter-segment revenues are eliminated on consolidation.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2017 (continued)

6 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 10).

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:

	Three month period ended 30 September		Nine month period ended 30 September	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	97,715	108,868	290,395	269,320
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	1,724,993	736,474	1,069,601	736,474
Effect of mandatory convertible bond ('000)	988,520	1,977,039	1,643,912	1,977,039
Total ('000)	2,713,513	2,713,513	2,713,513	2,713,513
Basic and dilutive earnings per share (AED)	0.04	0.04	0.11	0.10

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

7 Capital work in progress and property, plant and equipment

During the nine month period ended 30 September 2017, the Group has incurred capital expenditure of AED 195.6 million (30 September 2016: AED 145.0 million) primarily relating to construction of district cooling plants and distribution networks.

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**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

8 Cash and cash equivalents

For the purposes of the condensed consolidated interim statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the condensed consolidated interim statement of cash flows can be reconciled to the related items in the condensed consolidated interim statement of financial position as follows:

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)	30 September 2016 AED'000 (unaudited)
Bank balances and cash	267,000	376,841	221,279
Bank deposits	122,205	13,120	12,504
	<u>389,205</u>	<u>389,961</u>	<u>233,783</u>

Geographical concentration of bank balances and cash and bank deposits is as follows:

	30 September 2017 AED'000 (unaudited)	31 December 2016 AED'000 (audited)	30 September 2016 AED'000 (unaudited)
Within UAE	376,160	371,159	219,221
Outside UAE	13,045	18,802	14,562
	<u>389,205</u>	<u>389,961</u>	<u>233,783</u>

Non-cash transactions in the statement of cash flows:

Allocation of the equity and extinguishment of the liability component of the Mandatory Convertible Bonds (MCBs) as a result of conversion into ordinary shares is a non-cash event and has therefore been excluded from the statement of cash flow.

9 Issued capital

	At 30 September 2017 AED '000 (unaudited)	At 31 December 2016 AED '000 (audited)
Authorised, issued and fully paid up share capital		
Shares 2,715,529,123 (2016: 738,489,648) ordinary shares of AED 1 each	2,715,529	738,490
	<u>2,715,529</u>	<u>738,490</u>

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**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

9 Issued capital (continued)

	At 30 September 2017 AED'000 (unaudited)	At 31 December 2016 AED'000 (audited)
Balance at 1 January 2017 (audited)	738,490	738,490
Issue of new shares upon conversion of MCBs	1,977,039	-
	<u>2,715,529</u>	<u>738,490</u>

On 16 August 2017, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares (note 10). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion.

On conversion, Mubadala Investment Company sold 40% of the Company's total ordinary shares to a new shareholder, Kahrabel FZE, which is a subsidiary of ENGIE.

10 Mandatory convertible bonds

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

	Mandatory convertible bond (MCB 1A)		
	Liability component AED'000	Equity Component AED'000	Total AED'000
2017			
Balance at 1 January 2017 (audited)	94,925	870,575	965,500
Accretion expense	162	-	162
Amortisation of transaction costs	1,782	-	1,782
Cash coupons paid	(22,292)	-	(22,292)
Conversion into ordinary shares	-	(989,945)	(989,945)
Transfer to other reserve	(74,577)	119,370	44,793
Balance at 30 September 2017 (unaudited)	<u>-</u>	<u>-</u>	<u>-</u>

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)

10 Mandatory convertible bonds (continued)

	Mandatory convertible bond (MCB 1B)		
	Liability	Equity	Total
	component	Component	
AED'000	AED'000	AED'000	
2017			
Balance at 1 January 2017 (audited)	27,298	244,850	272,148
Accretion expense	275	-	275
Amortisation of transaction costs	521	-	521
Cash coupons paid	(6,522)	-	(6,522)
Conversion into ordinary shares	-	(289,627)	(289,627)
Transfer to other reserve	(21,572)	44,777	23,205
Balance at 30 September 2017 (unaudited)	-	-	-

	Mandatory convertible bond (MCB 1C)		
	Liability	Equity	Total
	component	component	
AED'000	AED'000	AED'000	
2017			
Balance at 1 January 2017 (audited)	60,415	559,951	620,366
Accretion expense	88	-	88
Amortisation of transaction costs	1,153	-	1,153
Cash coupons paid	(14,408)	-	(14,408)
Conversion into ordinary shares	-	(639,862)	(639,862)
Transfer to other reserve	(47,248)	79,911	32,663
Balance at 30 September 2017 (unaudited)	-	-	-

	Mandatory convertible bond (MCB 4)		
	Liability	Equity	Total
	component	component	
AED'000	AED'000	AED'000	
2017			
Balance at 1 January 2017 (audited)	-	97,100	97,100
Conversion into shares	-	(57,605)	(57,605)
Transfer to other reserve	-	(39,495)	(39,495)
Balance at 30 September 2017 (unaudited)	-	-	-

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**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

10 Mandatory convertible bonds (continued)

	Total Mandatory convertible bonds		
	Liability component AED'000	Equity component AED'000	Total AED'000
2017			
Balance at 1 January 2017 (audited)	182,638	1,772,476	1,955,114
Accretion expense	525	-	525
Amortisation of transaction costs	3,456	-	3,456
Cash coupons paid	(43,222)	-	(43,222)
Conversion into ordinary shares	-	(1,977,039)	(1,977,039)
Transfer to other reserve	(143,397)	204,563	61,166
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2017 (unaudited)	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total balance of MCBs as at 31 December 2016 (audited)	182,638	1,772,476	1,955,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		At 30 September 2017 AED'000 (unaudited)	At 31 December 2016 AED'000 (audited)
Current		-	84,909
Non-current		-	97,729
		<hr/>	<hr/>
		-	182,638
		<hr/> <hr/>	<hr/> <hr/>

On 16 August 2017, Mubadala Investment Company converted all of the Mandatory Convertible Bonds (MCBs) into ordinary shares (note 9). A total of 1,977,039,475 ordinary shares of AED 1 each has been issued upon conversion.

As a result, the total balance of the equity component has been allocated to issued capital and other reserves, and the liability component has been extinguished. Accordingly, the difference between number of shares issued and the balance of the equity component and liability component has been transferred to other reserve.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2017 (continued)

11 Interest bearing loans and Islamic financing arrangement

During the period, the Group obtained a new syndicated Islamic financing facility with local banks amounting to AED 1,513.0 million in 3 tranches. The financing was obtained to refinance the existing term loan facility of AED 945.5 million and to fund capital expenditure. The facility carries rental rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against specified account receivables and property plant and equipment.

The facility is repayable in 20 semi-annual instalments commencing on December 2017 with a bullet payment of 43% of the facility amount payable in June 2027.

During the period, the Group has drawn Tranche 1 and Tranche 2 from the new Islamic facility amounting to AED 1,025 million and AED 195 million, respectively. Tranche 1 of the Islamic facility was utilized to settle the existing term loan facility of AED 945.5 million.

During the period, the Group has also made a drawdown amounting to AED 120.0 million and repayments amounting to AED 1,276.7 million for interest bearing loans and borrowings.

12 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 30 September 2017 but not provided for amounted to AED 187.5 million (31 December 2016: AED 174.3 million).

Contingencies

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

	At 30 September 2017 AED'000 (unaudited)	At 31 December 2016 AED'000 (audited)
Performance guarantees	112,588	108,418
Advance payment guarantees	673	673
Financial guarantees	2,585	2,586
	<u>115,846</u>	<u>111,677</u>

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**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

13 Related party transactions and balances

Related parties represent the Government of Abu Dhabi and related departments and institutions (owner of one of the major shareholders), associated companies, joint ventures, majority shareholder, directors, key management personnel of the Company, management entities engaged by 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 condensed consolidated interim statement of profit or loss are as follows:

	Nine month period ended 30 September 2017 (unaudited)				Nine month period ended 30 September 2016 (unaudited)			
	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000
Associated companies	3,599	74,301	-	3,599	-	74,651	-	3,622
Joint ventures	-	-	-	3,899	-	-	-	3,910
Major shareholder	-	-	3,456	-	-	-	7,196	-
Associate of major shareholder	99,848	-	-	-	90,491	-	-	-
Government related departments and institutions	23,239	165,513	55,189	-	34,542	111,595	31,160	-

NATIONAL CENTRAL COOLING COMPANY PJSC

**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

13 Related party transactions and balances (continued)

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

	At 30 September 2017 (unaudited)				
	Mandatory convertible bonds AED'000	Accounts receivable AED'000	Bank balances AED'000	Accounts payables and advances AED'000	Interest bearing loans AED'000
Associated companies	-	22,725	-	32,965	-
Joint venture	-	4,236	-	-	-
Associate of a major shareholder	-	29,328	-	-	-
Government related departments and institutions	-	12,135	178,969	9,777	1,673,863
	-	68,424	178,969	42,742	1,673,863
	-	68,424	178,969	42,742	1,673,863

	At 31 December 2016 (audited)				
	Mandatory convertible bonds AED'000	Accounts receivable AED'000	Bank balances AED'000	Accounts payables and advances AED'000	Interest bearing loans AED'000
Associated companies	-	23,315	-	32,360	-
Joint venture	-	5,329	-	-	-
Majority shareholder	1,955,114	-	-	-	-
Associate of a major shareholder	-	13,815	-	-	-
Other related party	-	-	-	100,000	-
Government related departments and institutions	-	3,968	141,003	7,953	1,136,426
	1,955,114	46,427	141,003	140,313	1,136,426
	1,955,114	46,427	141,003	140,313	1,136,426

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**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2017 (continued)**

13 Related party transactions and balances (continued)

Compensation of key management personnel

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

	Nine month period ended 30 September	
	2017 AED'000 (unaudited)	2016 AED'000 (unaudited)
Short-term benefits	5,033	4,743
Employees' end of service benefits	94	104
	5,127	4,847
	5	4

14 Dividends and Board Remuneration

The Board of Directors proposed a cash dividend of 6.5 fils per share pertaining to both common shareholders and mandatory convertible bond holder in respect of the fiscal year ended 31 December 2016. The dividend was approved by the shareholders at the Annual General Meeting held on 6 March 2017.

The dividend comprised of AED 48.0 million to the common shareholders and AED 128.5 million to the mandatory convertible bond holder and was paid in April 2017.

In 2016, the Board of Directors proposed a dividend of 6.0 fils per share in respect of the fiscal year ended 31 December 2015. This dividend was approved by the shareholders at the Annual General Meeting held on 3 March 2016 and was paid in April 2016.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2016 was also approved at the Annual General Meeting held on 6 March 2017. Board remuneration of AED 7.1 million for the year ended 31 December 2015 was approved at the previous Annual General Meeting on 3 March 2016.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2017 (continued)

15 Accounts receivable and prepayments

Trade receivable balance at 30 September 2017 amounted to AED 412.1 million (31 December 2016: AED 262.1 million and 30 September 2016: AED 384.7 million).

16 Seasonality of operations

Interim results fluctuate due to the seasonal demands for chilled water, in line with the average temperatures in the region. Tabreed's operations generally produce higher revenues in the summer due to increased customer consumption, while certain expenses such as depreciation, interest and operating expenses remain more evenly distributed throughout the fiscal year. As a result, interim net profits are not indicative of net profits on an annual basis.

17 Fair value measurement

The fair values of the Group's financial assets and liabilities as at 30 September 2017 are not materially different from the fair values as at 31 December 2016.

18 Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information of the Group was authorised for issuance by the Board of Directors on 7 November 2017.