

**National Central Cooling Company PJSC**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2014 (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 30 September 2014, comprising of the interim consolidated statement of financial position as at 30 September 2014 and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the nine month period ended 30 September 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

23 October 2014  
Abu Dhabi

**National Central Cooling Company PJSC**
**INTERIM CONSOLIDATED INCOME STATEMENT**

Period ended 30 September 2014 (Unaudited)

		<i>Three month period ended 30 September 2014</i>	<i>Three month period ended 30 September 2013</i>	<i>Nine month period ended 30 September 2014</i>	<i>Nine month period ended 30 September 2013</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Revenues	3	344,406	329,231	870,696	826,452
Operating costs	3	<u>(190,962)</u>	<u>(185,073)</u>	<u>(458,840)</u>	<u>(436,545)</u>
<b>GROSS PROFIT</b>		<b>153,444</b>	<b>144,158</b>	<b>411,856</b>	<b>389,907</b>
Administrative and other expenses		<u>(40,393)</u>	<u>(39,498)</u>	<u>(120,254)</u>	<u>(113,975)</u>
<b>OPERATING PROFIT</b>		<b>113,051</b>	<b>104,660</b>	<b>291,602</b>	<b>275,932</b>
Finance costs		<u>(32,504)</u>	<u>(36,975)</u>	<u>(100,577)</u>	<u>(114,535)</u>
Finance income		863	1,263	3,779	3,540
Other gains and losses		<u>(230)</u>	841	<u>(2,377)</u>	2,160
Share of results of associates and joint ventures		<u>15,015</u>	<u>5,471</u>	<u>53,460</u>	<u>34,788</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>96,195</u></b>	<b><u>75,260</u></b>	<b><u>245,887</u></b>	<b><u>201,885</u></b>
Attributable to:					
Ordinary equity holders of the parent		95,863	75,108	244,458	202,314
Non-controlling interests		<u>332</u>	<u>152</u>	<u>1,429</u>	<u>(429)</u>
		<b><u>96,195</u></b>	<b><u>75,260</u></b>	<b><u>245,887</u></b>	<b><u>201,885</u></b>
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	<u>0.03</u>	<u>0.02</u>	<u>0.07</u>	<u>0.06</u>

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 September 2014 (Unaudited)

	<i>Three month period ended 30 September 2014 AED '000</i>	<i>Three month period ended 30 September 2013 AED '000</i>	<i>Nine month period ended 30 September 2014 AED '000</i>	<i>Nine month period ended 30 September 2013 AED '000</i>
<b>PROFIT FOR THE PERIOD</b>	<b>96,195</b>	<b>75,260</b>	<b>245,887</b>	<b>201,885</b>
<b>Other comprehensive income</b>				
Board remuneration (note 15)	-	-	(4,500)	(7,500)
<b>Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>(4,500)</b>	<b>(7,500)</b>
Net movement in fair value of derivatives in cash flow hedges	1,773	(11,125)	(623)	(9,116)
Share of changes in fair value of derivatives of an associate in cash flow hedges	2,095	1,404	2,080	6,212
Exchange differences arising on translation of overseas operations	(26)	-	(57)	(37)
<b>Net other comprehensive income /expense to be reclassified to profit or loss in subsequent periods</b>	<b>3,842</b>	<b>(9,721)</b>	<b>1,400</b>	<b>(2,941)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>100,037</b>	<b>65,539</b>	<b>242,787</b>	<b>191,444</b>
<b>Attributable to:</b>				
Ordinary equity holders of the parent	99,207	65,387	241,358	191,873
Non-controlling interests	830	152	1,429	(429)
	<b>100,037</b>	<b>65,539</b>	<b>242,787</b>	<b>191,444</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 FINANCIAL POSITION

At 30 September 2014 (Unaudited)

		30 September 2014 AED '000	(Audited) 31 December 2013 AED '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Capital work in progress	6	143,417	117,711
Property, plant and equipment	7	3,515,053	4,778,566
Intangible assets		37,596	37,596
Investments in associates and joint ventures	8	543,609	452,248
Loan to a joint venture		72,276	72,276
Finance lease receivables	9	2,770,883	1,618,906
		<u>7,082,834</u>	<u>7,077,303</u>
<b>Current assets</b>			
Inventories		41,960	37,026
Accounts receivable and prepayments		622,291	458,524
Finance lease receivables	9	221,853	117,787
Contract work in progress		42,070	43,208
Cash and short term deposits		368,087	670,382
		<u>1,296,261</u>	<u>1,326,927</u>
Asset held for sale		21,055	21,055
		<u>1,317,316</u>	<u>1,347,982</u>
<b>TOTAL ASSETS</b>		<u>8,400,150</u>	<u>8,425,285</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital		738,490	659,063
Treasury shares	11	(2,016)	(2,016)
Statutory reserve		130,256	130,256
Retained earnings		542,035	335,030
Foreign currency translation reserve		(2,544)	(2,487)
Cumulative changes in fair value of derivatives		(48,579)	(50,036)
Mandatory convertible bond – equity component	12	2,450,238	2,487,017
Other reserve		977,340	1,019,988
		<u>4,785,220</u>	<u>4,576,815</u>
Non – controlling interests		68,898	74,258
<b>Total equity</b>		<u>4,854,118</u>	<u>4,651,073</u>
<b>Non-current liabilities</b>			
Accounts payable, accruals and provisions		125,692	23,378
Interest bearing loans and borrowings		1,801,493	1,857,114
Islamic financing arrangements		294,165	484,653
Obligations under finance lease		17,440	21,346
Mandatory convertible bond– liability component	12	384,765	453,045
Employees' end of service benefits		20,751	19,851
		<u>2,644,306</u>	<u>2,859,387</u>
<b>Current liabilities</b>			
Accounts payable and accruals	5	554,772	564,667
Advances from a related party		73,869	73,869
Interest bearing loans and borrowings		137,938	135,872
Islamic financing arrangements		22,894	22,894
Mandatory convertible bond– liability component	12	104,889	110,159
Obligations under finance lease		7,364	7,364
		<u>901,726</u>	<u>914,825</u>
<b>Total liabilities</b>		<u>3,546,032</u>	<u>3,774,212</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,400,150</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 September 2014 (Unaudited)

	Attributable to equity holders of the parent										Total equity
	Issued capital	Treasury shares	Statutory reserve	Retained earnings	Foreign currency translation reserve	Cumulative changes in fair value of derivatives	Mandatory convertible bond - equity component	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
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	-	-	-	202,314	-	-	-	-	202,314	(429)	201,885
Other comprehensive expense for the period	-	-	-	(7,500)	(37)	(2,904)	-	-	(10,441)	-	(10,441)
Total comprehensive income for the period	-	-	-	194,814	(37)	(2,904)	-	-	191,873	(429)	191,444
Dividends paid to ordinary shareholders (note 15)	-	-	-	(32,795)	-	-	-	-	(32,795)	-	(32,795)
Transfer from other reserves to retained earnings	-	-	-	133,879	-	-	-	(133,879)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Issuance of mandatory convertible bond 4 in lieu of cash dividend to existing MCB (note 15)	-	-	-	(133,879)	-	-	-	-	-	(5,133)	(5,133)
Capital contributions by non-controlling interest	-	-	-	-	-	-	133,879	-	-	-	-
Balance at 30 September 2013	659,063	(2,016)	103,021	292,228	(2,461)	(51,404)	2,487,017	1,019,988	4,505,436	78,241	4,583,677
Balance at 1 January 2014	659,063	(2,016)	130,256	335,030	(2,487)	(50,036)	2,487,017	1,019,988	4,576,815	74,258	4,651,073
Profit (loss) for the period	-	-	-	244,458	-	-	-	-	244,458	1,429	245,887
Other comprehensive loss for the period	-	-	-	(4,500)	(57)	1,457	-	-	(3,100)	-	(3,100)
Total comprehensive income for the period	-	-	-	239,958	(57)	1,457	-	-	241,358	1,429	242,787
Transfer from other reserves to retained earnings (note 12)	-	-	-	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 15)	-	-	-	(137,851)	-	-	97,100	40,751	-	-	-
Dividends paid to ordinary shareholders (note 15)	-	-	-	(32,953)	-	-	-	-	(32,953)	-	(32,953)
Conversion of mandatory convertible bond 4 into ordinary shares (note 11)	79,427	-	-	-	-	-	(133,879)	54,452	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,196)	(6,196)
Balance at 30 September 2014	738,490	(2,016)	130,256	542,035	(2,544)	(48,579)	2,450,238	977,340	4,785,220	68,898	4,854,118

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 September 2014 (Unaudited)

		<i>Nine month period ended 30 September 2014</i>	<i>Nine month period ended 30 September 2013</i>
	<i>Notes</i>	<i>AED '000</i>	<i>AED '000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		245,887	201,885
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment	7	95,704	103,745
Finance income relating to finance lease receivable	9	(124,655)	(91,260)
Share of results of associates and joint ventures		(53,460)	(32,964)
Net movement in employees' end of service benefits		1,471	1,611
Other gains and losses		2,377	-
Interest income		(3,779)	(3,540)
Finance costs		100,577	114,535
		<u>264,122</u>	<u>294,012</u>
Working capital adjustments:			
Inventories		(4,934)	(1,636)
Accounts receivable and prepayments		(165,414)	31,601
Contract work in progress		1,138	7,517
Accounts payable and accruals		57,154	6,936
Lease rentals received	9	149,081	94,464
Board remuneration	15	(4,500)	(7,500)
Net cash flows from operating activities		<u>296,647</u>	<u>425,394</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(48,232)	(997)
Proceeds from sale of an associate and a subsidiary		1,749	-
Investments in a joint venture	8	(58,395)	-
Dividends from associates		19,476	17,108
Payments for capital work in progress		(55,367)	(71,059)
Interest received		3,734	1,540
Net cash flows used in investing activities		<u>(137,035)</u>	<u>(53,408)</u>
<b>FINANCING ACTIVITIES</b>			
Interest bearing loans and borrowings received		11,212	-
Interest bearing loans and borrowings repaid		(71,622)	(69,843)
Cash coupon paid on mandatory convertible bonds	12	(90,441)	(90,441)
Islamic financing arrangement repaid		(192,345)	(11,795)
Payment for obligations under finance lease		(3,906)	(3,537)
Interest paid		(75,656)	(86,336)
Capital contribution by non-controlling interests		-	3,570
Dividends paid to ordinary shareholders	15	(32,953)	(32,795)
Dividends paid to non-controlling interests		(6,196)	(5,133)
Net cash flows used in financing activities		<u>(461,907)</u>	<u>(296,310)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(302,295)</b>	<b>75,676</b>
Cash and cash equivalents at 1 January		<u>670,382</u>	<u>560,417</u>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>10</b>	<b><u>368,087</u></b>	<b><u>636,093</u></b>

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 September 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 authorised for issuance by the Board of Directors on 23 October 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 nine month period ended 30 September 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 September 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 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 September 2014 (Unaudited)**
**3 SEGMENT INFORMATION continued**

	<i>Nine month period ended 30 September 2014</i>				<i>Nine month period ended 30 September 2013</i>			
	<i>Chilled water</i>	<i>Value chain business</i>	<i>Eliminations</i>	<i>Total</i>	<i>Chilled water</i>	<i>Value chain business</i>	<i>Eliminations</i>	<i>Total</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>
<b>Revenue</b>								
External revenue	804,848	65,848	-	870,696	775,892	50,560	-	826,452
Inter-segment revenue	-	11,788	(11,788)	-	-	10,471	(10,471)	-
<b>Total revenue</b>	<b>804,848</b>	<b>77,636</b>	<b>(11,788)</b>	<b>870,696</b>	<b>775,892</b>	<b>61,031</b>	<b>(10,471)</b>	<b>826,452</b>
Operating costs	(416,026)	(55,872)	13,058	(458,840)	(408,631)	(40,160)	12,246	(436,545)
<b>Gross profit</b>	<b>388,822</b>	<b>21,764</b>	<b>1,270</b>	<b>411,856</b>	<b>367,261</b>	<b>20,871</b>	<b>1,775</b>	<b>389,907</b>
<b>Profit from operations</b>	<b>281,667</b>	<b>8,395</b>	<b>1,540</b>	<b>291,602</b>	<b>266,421</b>	<b>7,501</b>	<b>2,010</b>	<b>275,932</b>
Finance costs	-	-	-	(100,577)	-	-	-	(114,535)
Finance income	-	-	-	3,779	-	-	-	3,540
Other gains and losses	-	-	-	(2,377)	-	-	-	2,160
Share of results of associates and joint ventures	53,460	-	-	53,460	34,788	-	-	34,788
<b>Profit for the period</b>				<b>245,887</b>				<b>201,885</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 12).

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 September 2014 (Unaudited)

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

	<i>Three month period ended 30 September 2014</i>	<i>Three month period ended 30 September 2013</i>	<i>Nine month period ended 30 September 2014</i>	<i>Nine month period ended 30 September 2013</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>95,863</u>	<u>75,108</u>	<u>244,458</u>	<u>202,314</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	<u>716,617</u>	<u>657,047</u>	<u>677,123</u>	<u>657,047</u>
Effect of mandatory convertible bond ('000)	<u>2,755,046</u>	<u>2,757,009</u>	<u>2,777,046</u>	<u>2,726,349</u>
Total ('000)	<u>3,471,663</u>	<u>3,414,056</u>	<u>3,454,169</u>	<u>3,383,396</u>
Basic and dilutive earnings per share (AED)	<u>0.03</u>	<u>0.02</u>	<u>0.07</u>	<u>0.06</u>

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

#### 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 nine month period ended 30 September 2014, the Group has incurred expenditure of AED 36.7 million (30 September 2013: AED 43 million) primarily relating to construction of district cooling plants.

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 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	39,196	4,892	4,144	48,232
Transfer from capital work in progress	8,849	2,169	-	11,018
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 September 2014	<u>3,287,747</u>	<u>1,877,093</u>	<u>54,249</u>	<u>5,219,089</u>
<b>Depreciation:</b>				
At 1 January 2014	580,938	198,973	45,429	825,340
Depreciation for the period	66,644	27,063	1,997	95,704
Derecognition (note 9)	(186,250)	(47,542)	-	(233,792)
Asset written off	(692)	-	-	(692)
Subsidiary disposed off	-	-	(489)	(489)
Disposals	-	-	(157)	(157)
At 30 September 2014	<u>460,640</u>	<u>178,494</u>	<u>46,780</u>	<u>685,914</u>
<b>Net carrying amount before provision for impairment:</b>				
At 30 September 2014	2,827,107	1,698,599	7,469	4,533,175
<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 September 2014	<u>558,661</u>	<u>459,461</u>	<u>-</u>	<u>1,018,122</u>
<b>Net carrying amount</b>				
At 30 September 2014	<u>2,268,446</u>	<u>1,239,138</u>	<u>7,469</u>	<u>3,515,053</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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 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.

#### 9 FINANCE LEASE RECEIVABLES

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

	<i>At 30 September 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	124,655
Lease rentals received	<u>(149,081)</u>
At 30 September 2014	<u>2,992,736</u>

Analysed in the interim consolidated statement of financial position as follows:

	<i>At 30 September 2014 AED '000</i>	<i>At 31 December 2014 AED '000</i>
Current assets	221,853	117,787
Non-current assets	<u>2,770,883</u>	<u>1,618,906</u>
	<u>2,992,736</u>	<u>1,736,693</u>

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

#### 9 FINANCE LEASE RECEIVABLES continued

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

	At 30 September 2014		At 31 December 2013	
	Minimum lease receivables	Present value of minimum lease	Minimum lease receivables	Present value of minimum lease
	AED '000	AED '000	AED '000	AED '000
Within one year	229,240	221,853	122,108	117,787
After one but no more than five years	947,923	786,163	515,018	417,605
More than five years	4,471,871	1,984,720	3,163,958	1,201,301
	<u>5,649,034</u>	<u>2,992,736</u>	<u>3,801,084</u>	<u>1,736,693</u>
Unearned revenue (i)	<u>(2,656,298)</u>	<u>-</u>	<u>(2,064,391)</u>	<u>-</u>
	<u>2,992,736</u>	<u>2,992,736</u>	<u>1,736,693</u>	<u>1,736,693</u>

(i) Movement in unearned revenue is as follows:

	At 30 September 2014
	AED '000
At 1 January 2014	2,064,391
Relating to new finance leases	716,562
Recognised during the period	<u>(124,655)</u>
At 30 September 2014	<u>2,656,298</u>

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

(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.

## National Central Cooling Company PJSC

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

#### 10 CASH AND CASH EQUIVALENTS

Geographical concentration of cash and cash equivalents is as follows:

	<i>At 30 September 2014 AED '000</i>	<i>At 30 September 2013 AED '000</i>
Within UAE	351,374	615,323
Outside UAE	16,713	20,770
	<u>368,087</u>	<u>636,093</u>

#### 11 ISSUED CAPITAL

In July 2014, a tranche of mandatory convertible bond ("MCB-4") with a carrying amount of AED 133.9 million was converted into 79,426,201 ordinary shares of AED 1 each. The difference of AED 54.4 million between the carrying amount of MCB-4 and the amount attributable to share capital has been transferred to other reserve.

#### 12 MANDATORY CONVERTIBLE BONDS

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

	<i>Mandatory convertible bond (MCB 1A)</i>		
	<i>Liability component AED '000</i>	<i>Equity component AED '000</i>	<i>Total AED '000</i>
	Balance at 1 January 2014	208,899	870,575
Accretion expense	5,952	-	5,952
Amortisation of transaction costs	245	-	245
Cash coupons paid	(33,437)	-	(33,437)
<b>Balance at 30 September 2014</b>	<u>181,659</u>	<u>870,575</u>	<u>1,052,234</u>
	<i>Mandatory convertible bond (MCB 1B)</i>		
	<i>Liability component AED '000</i>	<i>Equity component AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2014	220,111	922,612	1,142,723
Accretion expense	6,300	-	6,300
Amortisation of transaction costs	415	-	415
Cash coupons paid	(35,391)	-	(35,391)
<b>Balance at 30 September 2014</b>	<u>191,435</u>	<u>922,612</u>	<u>1,114,047</u>

## National Central Cooling Company PJSC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (Unaudited)

#### 12 MANDATORY CONVERTIBLE BONDS continued

	<i>Mandatory convertible bond (MCB 1C)</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 2014	134,194	559,951	694,145
Accretion expense	3,848	-	3,848
Amortisation of transaction costs	131	-	131
Cash coupons paid	(21,613)	-	(21,613)
<b>Balance at 30 September 2014</b>	<b>116,560</b>	<b>559,951</b>	<b>676,511</b>

	<i>Mandatory convertible bond (MCB 4)</i>		
	<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
On conversion into ordinary shares (note 11)	-	(133,879)	(133,879)
<b>Balance at 30 September 2014</b>	<b>-</b>	<b>97,100</b>	<b>97,100</b>
<b>Total balance of MCBs at 30 September 2014</b>	<b>498,654</b>	<b>2,450,238</b>	<b>2,939,892</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)	181,659	870,575	1,052,234
MCB 1B (1,047,776,962 shares at AED 1 each)	191,435	922,612	1,114,047
MCB 1C (639,862,459 shares at AED 1 each)	116,560	559,951	676,511
MCB 4- new tranche (57,605,736 shares at AED 1 each) (i)	-	97,100	97,100
<b>Total 2,735,190,069 shares @ AED 1 each</b>	<b>498,654</b>	<b>2,450,238</b>	<b>2,939,892</b>

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

	<i>At 30 September 2014</i>	<i>At 31 December 2013</i>
	<i>AED '000</i>	<i>AED '000</i>
Current	104,889	110,159
Non current	384,765	453,045
	<b>489,654</b>	<b>563,204</b>



## National Central Cooling Company PJSC

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

#### 12 MANDATORY CONVERTIBLE BONDS continued

- (i) At 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 by April 2019 and to be converted into 57,605,736 shares. The value of the new tranche amounting to AED 97.1 million has been calculated 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.

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

#### 13 COMMITMENTS AND CONTINGENCIES

##### Capital commitments

The authorised capital expenditure contracted for at 30 September 2014 but not provided for amounted to AED 268.3 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:

	<i>At 30 September 2014 AED '000</i>	<i>At 31 December 2013 AED '000</i>
Performance guarantees	137,700	119,654
Advance payment guarantees	2,030	2,030
Financial guarantees	<u>2,586</u>	<u>2,586</u>
	<u><b>142,316</b></u>	<u><b>124,270</b></u>

## National Central Cooling Company PJSC

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

#### 14 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>Nine month period ended 30 September 2014</i>				<i>Nine month period ended 30 September 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	-	67,104	-	3,269	-	67,395	-	3,210
Majority shareholder	-	-	16,100	-	183	-	18,961	-
Associate of majority shareholder	120,286	-	-	-	104,833	-	-	-
Government related departments and institutions	25,494	91,968	27,388	-	25,764	86,157	27,019	-

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

	<i>30 September 2014</i>				
	<i>Loan receivable</i>	<i>Mandatory convertible bonds</i>	<i>Accounts Receivable</i>	<i>Accounts payables and advances</i>	<i>Interest bearing loans and Islamic financing arrangements</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Associated companies	-	-	21,446	30,385	-
Joint venture	72,276	-	9,134	-	-
Majority shareholder	-	2,939,892	-	-	-
Associate of a majority shareholder	-	-	151,900	73,869	-
Government related departments and institutions	-	-	5,932	3,663	810,229
	<b>72,276</b>	<b>2,939,892</b>	<b>188,412</b>	<b>107,917</b>	<b>810,229</b>

## National Central Cooling Company PJSC

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

#### 14 RELATED PARTY TRANSACTIONS continued

	<i>31 December 2013</i>				
	<i>Loan receivable</i>	<i>Mandatory convertible bond</i>	<i>Accounts Receivable</i>	<i>Accounts payables and advances</i>	<i>Interest bearing loans and Islamic financing arrangements</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>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>Nine month period ended 30 September 2014</i>	<i>Nine month period ended 30 September 2013</i>
	<i>AED '000</i>	<i>AED '000</i>
Short-term benefits	15,567	13,722
Employees' end of service benefits	610	493
	<u>16,177</u>	<u>14,215</u>
Number of key management personnel	<u>18</u>	<u>18</u>

## National Central Cooling Company PJSC

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

#### 15 DIVIDENDS AND BOARD REMUNERATION

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 and was paid on 23 April 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 12).

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.