Annual Report 2015

تبريد
tabreed

H.H. Sheikh Khalifa bin Zayed Al Nahyan
The President of the United Arab Emirates,
Ruler of Abu Dhabi

H.H. Sheikh Mohammed bin Rashid Al Maktoum
Vice President and Prime Minister
of the UAE and Ruler of Dubai

H.H. Sheikh Mohamed bin Zayed Al Nahyan
Crown Prince of Abu Dhabi, and Deputy
Supreme Commander of the UAE Armed Forces,
Chairman of the Executive Council

Our Vision

To be the leading cooling provider by utilizing sustainable, reliable and cost efficient energy solutions

Our Mission

Creating value through optimizing, innovating and striving for operational excellence to exceed stakeholder expectations whilst protecting people, assets and environment

Our Values

- Inspire with positive energy
- Dedicated to excellence
- Stronger together
- Resilient in the face of challenges
- Committed to health, safety and environment

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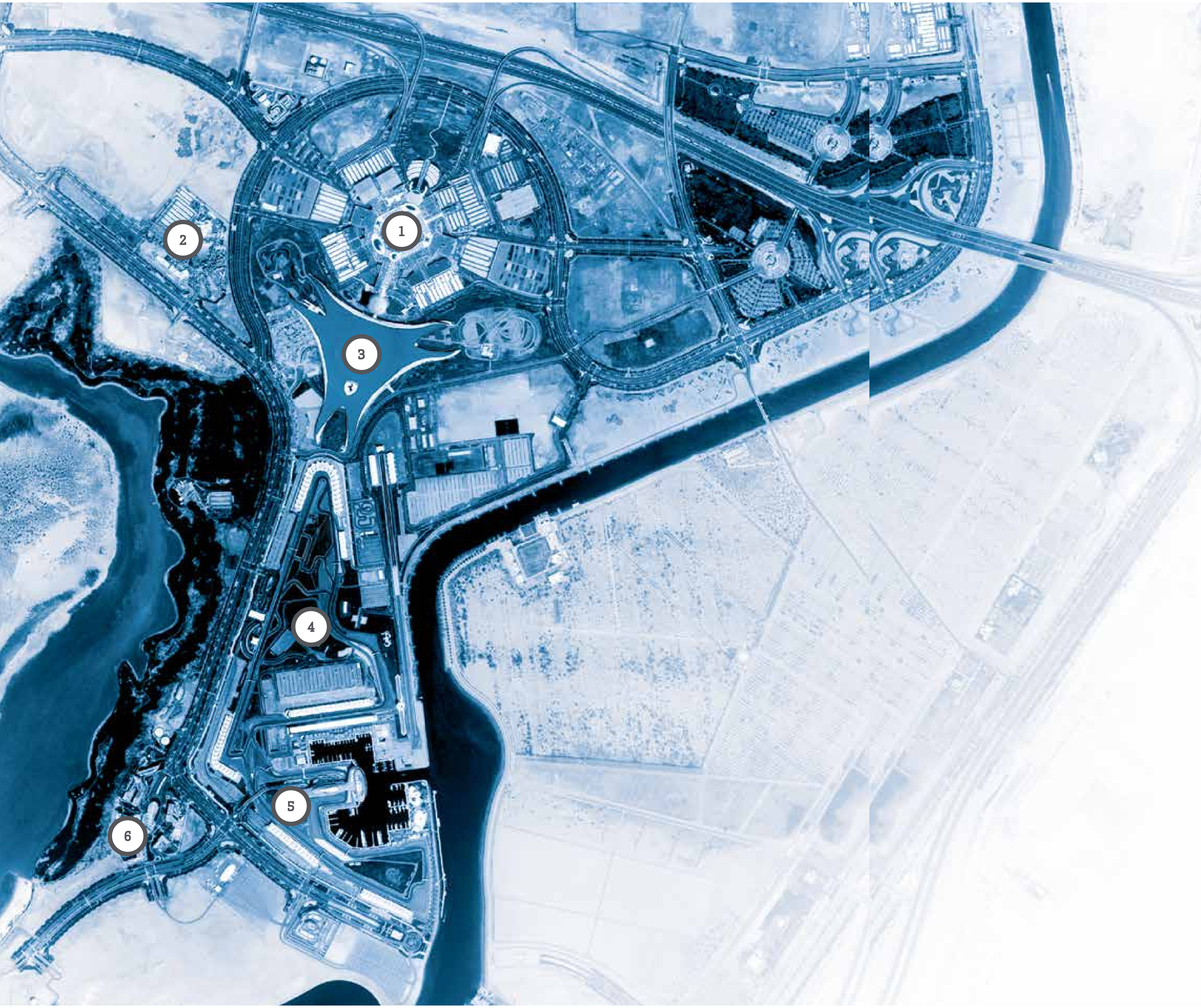
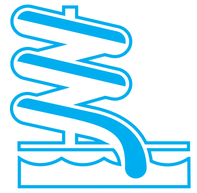


Yas Island

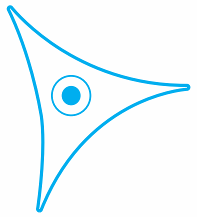
Abu Dhabi, UAE

Our plant on Yas Island provides district cooling services to all the existing (and future) projects on the Island, including:

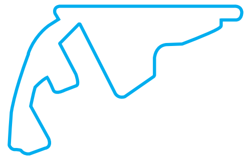
1 | Yas Mall



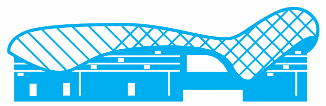
2 | Yas Waterworld



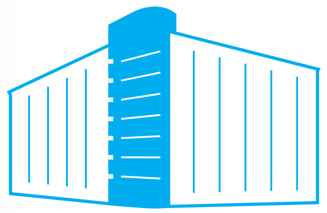
3 | Ferrari World



4 | Yas Marina Circuit



5 | Yas Viceroy Abu Dhabi



6 | Yas Plaza Hotels

Overview of 2015

January 20

Renewed our district cooling agreement with Aldar Properties PJSC. The renewed agreement has a duration of 30 years, and sets the framework for additional connections to future projects.

February 11

Appointed Steve Ridlington as new Chief Financial Officer.

March 12

AGA approved a cash dividend of 5 fils/share for FY 2014.

April 29

First quarter net profit increased by 5% to AED 61 million.

May 6

Announced our intention to hold an OGA to present to shareholders a proposal to buy back 28% of the mandatory convertible bonds held by Mubadala.

May 28

Commenced the supply of chilled water to Al Hilal Bank tower on Abu Dhabi's Al Maryah Island.

June 8

OGA unanimously approved the proposal to buy back 28% of the mandatory convertible bonds held by Mubadala.

July 23

Net profit for the first half of the year reached AED 153 million, an increase of 3%.

October 29

Net profit for the first nine months of the year increased by 4% to AED 254 million.

December 31

Full year net profit reached AED 345 million, a 6% increase over 2014.

Key Achievements of 2015

Net profit reached **AED 345 million** – an increase of **6%** from 2014

Cash flow from operations reached **AED 605 million**

Earnings per share increased by **19%**

Renewed our district cooling agreement with ALDAR for **30 years**

Delivered **1 new plant** in Oman

Repurchased 28% of the outstanding mandatory convertible bonds held by Mubadala

35,563 RT of new customer connections added

Won a silver award at the INTERNATIONAL DISTRICT ENERGY ASSOCIATION conference in USA

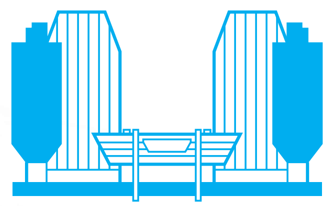
69 district cooling plants across the GCC

Total group connected capacity reached **974,377 RT**

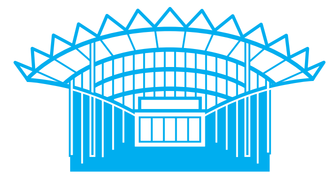
Al Maryah Island

Abu Dhabi, UAE

Tabreed is the exclusive district cooling provider for all the projects on Abu Dhabi's Al Maryah Island, which is home to landmarks such as:

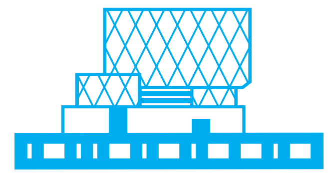


1 | Abu Dhabi Global Market Square



2 | The Galleria

3 | Rosewood Abu Dhabi



4 | Cleveland Clinic Abu Dhabi

Chairman's Message

Waleed Al Mokarrab Al Muhairi

As a utility infrastructure company, Tabreed is in a unique position to deliver robust and sustainable financial results year-on-year, while simultaneously making an important contribution to the region's economic development.

2015 was a prime example of our fundamental strength in action. Not only did Tabreed continue to enhance shareholder value, with earnings per share increasing by 19%, but the company also distributed a cash dividend to shareholders for the third consecutive year.

Tabreed connected over 35,000 refrigerated tons (RT) to many of the region's critical developments, enabling them to make significant savings in their energy consumption and thereby reducing their carbon footprint.

Tabreed's core business in the UAE, which accounts for approximately 71% of our total 974,377 RT of connected capacity, continues to drive growth. At the end of 2015, UAE operations generated over AED 1.1 billion in revenue, an increase of 4% from 2014. This consistent growth is the hallmark of successful utilities companies and is a pattern that we aim to maintain in the coming years.

Today, Tabreed has an industry-leading regional presence beyond the UAE, with three plants in Qatar (and a further one under construction), delivering 183,800 RT to projects in Doha's West Bay and the Pearl Island. Likewise, in the Kingdom of Saudi Arabia, Tabreed's two plants together deliver 65,847 RT to the Jebal Omar Development Project in the Holy City of Mecca and to the Saudi Arabian Oil Company (Saudi Aramco) in Dhahran. Additionally, the company provides its Operations & Maintenance services to the King Abdullah Financial District in Riyadh.

These two countries represent Tabreed's biggest markets outside of the UAE, and their contribution to profits has grown consistently in recent years. For example, by the end of 2015, the share of results from the Saudi operations increased by 30% over the previous year. Going forward, as these economies grow and mature, we expect to further solidify our presence in regional markets and to increase the number of customer connections, particularly with major blue-chip organizations.

As we look forward, we are confident we have the necessary expertise to enable us to navigate the ever-changing macro-economic environment and take advantage of new opportunities as and when they present themselves. Supported by long-term and price certain contracts, the Tabreed of today is a stable and solid company, and one which is capable of confidently confronting the challenges ahead.

On behalf of the entire Board of Directors, I would like to convey my gratitude to Tabreed's shareholders for their continued support, and to Tabreed's management team and staff for delivering such strong performance in 2015. We look forward to continued success in the years ahead.

CEO's Message

Jasim Husain Thabet

2015 was another milestone year for Tabreed. The company's robust utility infrastructure business model continued to deliver consistent and positive results, with net profit reaching AED 345 million, the highest level since the company's inception more than 16 years ago. The strength of this performance is anchored in the core chilled water business, which is underpinned by long-term profitable contracts, many of which are with blue-chip government and private entities across the GCC.

Operationally, Tabreed connected 35,563 refrigerated tons (RT) throughout the year to major residential, commercial, government and private projects across the region, bringing the group's connected capacity to more than 974,000 RT.

In the UAE, where we operate 61 district cooling plants, we connected new customers on Abu Dhabi's Al Maryah Island following the 2014 acquisition of a 30-year district cooling concession in a consortium with Mubadala Infrastructure Partners. Additionally, we renewed a 30-year district cooling agreement with Aldar Properties PJSC, which sets the framework for additional connections to future projects.

Likewise, we continued to connect new customers to our combined eight plants in Qatar, Saudi Arabia, Bahrain, and Oman. By the end of 2015, our connected capacity in the GCC (excluding the UAE) accounted for 29% of our total group capacity.

Tabreed's strong performance, seen consistently in recent years, means that we are now able to benefit from a substantially improved credit profile that puts us in a position to access attractive debt financing. As a result, in July 2015 we completed the buyback of 28% of the mandatory convertible bonds issued during the 2011 recapitalization. This transaction results in a saving of over AED 30 million annually. Taken together with the savings achieved from refinancing our AED 2.6 billion of debt at the end of 2014, combined savings amount to AED 40 million per year.

We are confident that the long-term environmental benefits and energy savings that district cooling brings to customers will enable us to continue to grow our business, and to deliver healthy profits for our shareholders. While macro-economic challenges remain, Tabreed today is a well-capitalized company with a strong core business and a stable customer base.

I would like to thank Tabreed's employees for their ongoing commitment and contribution to the company's long-term success. I would also like to thank our Board of Directors for their guidance and support throughout the year.

Dubai Metro

Dubai, UAE

Tabreed has 16 plants located throughout Dubai that supply over 60,000 RT to all the Dubai Metro stations.

Board of Directors

Waleed Al Mokarrab Al Muhairi | Chairman

Waleed is Mubadala Development Company's Deputy Group CEO and CEO, Emerging Sectors. He has oversight of Mubadala's operational and business development activities as well as its healthcare, real estate, infrastructure and capital investment portfolios and its Enterprise Technology & Services unit. He is also a member of Mubadala's Investment Committee. Waleed is Chairman of the Board of Directors of Cleveland Clinic Abu Dhabi and is a board member of Mubadala Petroleum and Masdar. He holds a Masters from Harvard University, USA, and a Bachelors of Science in Foreign Service from Georgetown University, USA.

Khaled Abdulla Al Qubaisi | Managing Director

Khaled is the Chief Human Capital Officer for the Mubadala Group, responsible for employee career growth, talent acquisition, learning & development, Emiratization and performance management. He is also a member of Mubadala's Investment Committee. Khaled is a board member of Masdar, EGA, Finance House, Mubadala Petroleum, and GLOBALFOUNDRIES. He has a Bachelor of Arts in Finance and Operations Management from Boston University, and a Master of Science from George Washington University, USA, in addition to achieving membership of the Chartered Financial Analyst Institute (CFA) in 2003.

Fahad Saeed Al Raqbani | Member

Fahad is the Director - General of the Abu Dhabi Council for Economic Development. Since joining ADCED in 2008, he has collaborated with the private sector to launch a number of initiatives that contribute to achieving the Abu Dhabi Economic Vision 2030. Fahad sits on the board of a number of companies such as Senaat, Waha Capital, and Emirates Steel. He holds a Bachelor of Arts degree in International Economics from the American University in Paris, and a master's degree in financial management and risk management from the Graduate School of Management in Lille, France.

Ahmed Yahia Al Idrissi | Member

Ahmed is the CEO of Technology & Industry, Mubadala Development Company, with oversight of Mubadala's semiconductor, metals and mining, and utilities portfolios. He is also a member of Mubadala's Investment Committee. Ahmed is Chairman of GLOBALFOUNDRIES and Minas de Aguas Teñidas (MATSA), as well as a board member of Masdar, Emirates Global Aluminium, Mubadala Petroleum, Guinea Alumina Corporation and Advanced Micro Devices Inc. He holds a Bachelor of Science in Industrial Engineering from Ecole Centrale Paris, France, and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA.

Ibrahim Ahmed Al Ansaari | Member

Ibrahim was formerly the Chief Executive Officer of Dolphin Energy Limited (UAE). Prior to joining Dolphin Energy in October 2003 as Vice President – Projects, Ibrahim was General Manager of Union Water & Electricity Company, now incorporated within ADWEA. He also worked for Abu Dhabi National Oil Company (ADNOC) for 18 years. Ibrahim holds a Bachelor of Science in Electrical Engineering from Louisiana Technical University, USA.

Ali Saeed Al Badi | Member

Ali was the Managing Director and a board member of Abu Dhabi Ports Company (ADPC), the master developer and regulator of ports and industrial zones in Abu Dhabi. Ali has spent over 20 years with the Abu Dhabi National Oil Company (ADNOC) Group, and served as Chairman as well as board member of several ADNOC companies. From 1987 - 1998, Ali was the UAE National Representative at the Organization of the Petroleum Exporting Countries (OPEC). He has a Bachelor Degree in Decision Science (Business) from Indiana University, USA.

Khaled Saleh Al Rashedi | Member

Khaled is the Head of Group Government Affairs at Mubadala Development Company, where he is the company's liaison with the Government of Abu Dhabi in addition to senior government officials and regulatory stakeholders in the UAE and abroad. He has been with Mubadala since its establishment in 2002 and has worked extensively in local and international government affairs. Khaled is Chairman of Safwa Marine, and a board member of Abu Dhabi Ship Building, Guinea Alumina Corporation and MINESA. He holds a Bachelor of Business Administration with a concentration in Finance and Marketing from the University of Colorado, USA.

Mohammed Al Huraimel Al Shamsi | Member

Mohammed is Senior Vice President in Mubadala Development Company, where he is responsible for the asset management function of Mubadala Industry's Utilities portfolio, which includes power and district cooling assets in the Middle East and North Africa. Mohammed is a member of the Board of Directors of Shariket Kahraba Hadjret Enouss SPA based in Algeria, and SMN Power Holding Company in Oman. He has an MBA from the HEC School of Management – Paris and a Bachelor's Degree from the American University of Sharjah, UAE.

Abdul Raouf Al Bitar | Member

Abdul Raouf is the Executive Director of Al Manhal & Nestlé Waters Group of Factories in Saudi Arabia, and sits on the board of a number of companies throughout the Middle East including Middle East Specialized Cables Factory (MESC), Springs Beverage Factory, Middle East Mold and Plastic Factory, Gulf Insulation Group, Shaker Group, and LG - Shaker Company. Abdul Raouf holds a Bachelor of Science in Civil Engineering from Syracuse University, USA.

Board of Directors' Report

We are pleased to report on the financial results and operational performance of National Central Cooling Company PJSC (Tabreed) for the year ended 31 December 2015.

Tabreed's strong performance continues to be underpinned by a robust utility infrastructure business, which delivers consistent and sustainable results year-on-year. Operationally, we have continued to connect customers (many of whom are large government and private entities) to our 69 plants located throughout the GCC, and increase our contracted capacity to nearly 1 million RT.

Financial Highlights

In 2015, Tabreed achieved its strongest financial performance to-date. Highlights include:

- Net profit attributable to the parent increased by 6 percent to AED 345.3 million (2014: AED 325.7million)
- Earnings per share increased by 19 percent to AED 0.11 as a result of the successful completion of bonds buyback
- Share of results of associates and joint ventures increased by 16 percent to AED 98.6 million (2014: AED 85.4 million)
- Core chilled water profit from operations increased by 3 percent to AED 370.4 million (2014: AED 359.3 million)
- Group revenue increased by 4 percent to AED 1,171.9 million (2014: AED 1,130.6 million)
- EBITDA increased by 2 percent to AED 544.7 million (2014: AED 534.9 million)

Overview of Operational Performance

Tabreed has maintained its position as the leading regional district cooling provider, with operations across five different countries. Operational highlights include:

- Total group connected capacity across the GCC reached 974,377 RT, with 35,563 RT of new customer connections made to major regional projects including:
  - The Pearl Island, and West Bay in Qatar
  - Jabal Omar Development Project in the Holy City of Mecca
  - Avenues Mall in Oman
- Commenced chilled water supply to Al Hilal Bank Tower on Al Maryah Island in Abu Dhabi
- Inaugurated a new plant in Muscat, Oman
- Reduced the amount of energy utilized for cooling in the GCC by 1.3 billion kilowatt hours during 2015 (enough electricity to power approximately 44,000 homes in the UAE every year). This reduction in energy consumption, achieved by employing district cooling instead of conventional air conditioning, has prevented the release into the atmosphere of over 650,000 tons of carbon dioxide emissions, the equivalent of eliminating the emissions of 130,000 vehicles annually

Mandatory Convertible Bonds Buyback

As part of our ongoing efforts to enhance shareholders value, Tabreed made a decision in 2015 to buyback a significant portion of the outstanding mandatory convertible bonds (MCB). In May, we announced our intention to hold an Ordinary General Assembly (OGA) to present a proposal to buy back 28% of the MCB (the equivalent of 854 million bonds) for AED 1 billion. The MCB were issued by Tabreed as part of the 2011 recapitalization program.

The OGA was held in June and the resolution for the MCB buyback was unanimously approved by voting shareholders and the transaction was finalized in early July, at which point the repurchased bonds were cancelled.

The buyback was financed through a new loan which Tabreed secured during its 2014 refinancing, and which has a lower cost of servicing than the MCB. This buyback is value-accretive for shareholders, and, in conjunction with the rising 2015 net income, increased earnings per share in 2015 to AED 0.11, while saving the company over AED 30 million annually.

Corporate Developments

At the beginning of the year, we successfully renewed our district cooling agreement with Aldar Properties PJSC (Aldar). The renewed agreement has a duration of 30 years, and sets the framework for additional connections to future projects. Tabreed currently has six plants that provide cooling to many of Aldar's landmark projects including Yas Island and the World Trade Centre in Abu Dhabi, to name a few.

Also at the beginning of the year, Tabreed appointed Steve Ridlington as the company's new Chief Financial Officer (CFO). Ridlington, who served as Tabreed's CFO from 2009 – 2011, and led the restructuring of the company during that period, made his return to Tabreed after spending the last four years in England.

Additionally, the company continued to focus on providing a sustainable return to its shareholders, and distributed a 5% dividend for the FY 2014. This constitutes a payout ratio of 53% - among the DFM's highest.

At the close of 2015, we completed the signing of an AED 192.5 million long term limited recourse project finance facility with Emirates NBD for the district cooling plant we are developing for Dubai Parks and Resorts. This transaction demonstrates our strategy of utilizing long term project financing which is the best way of financing our assets and maximizing value for all stakeholders.

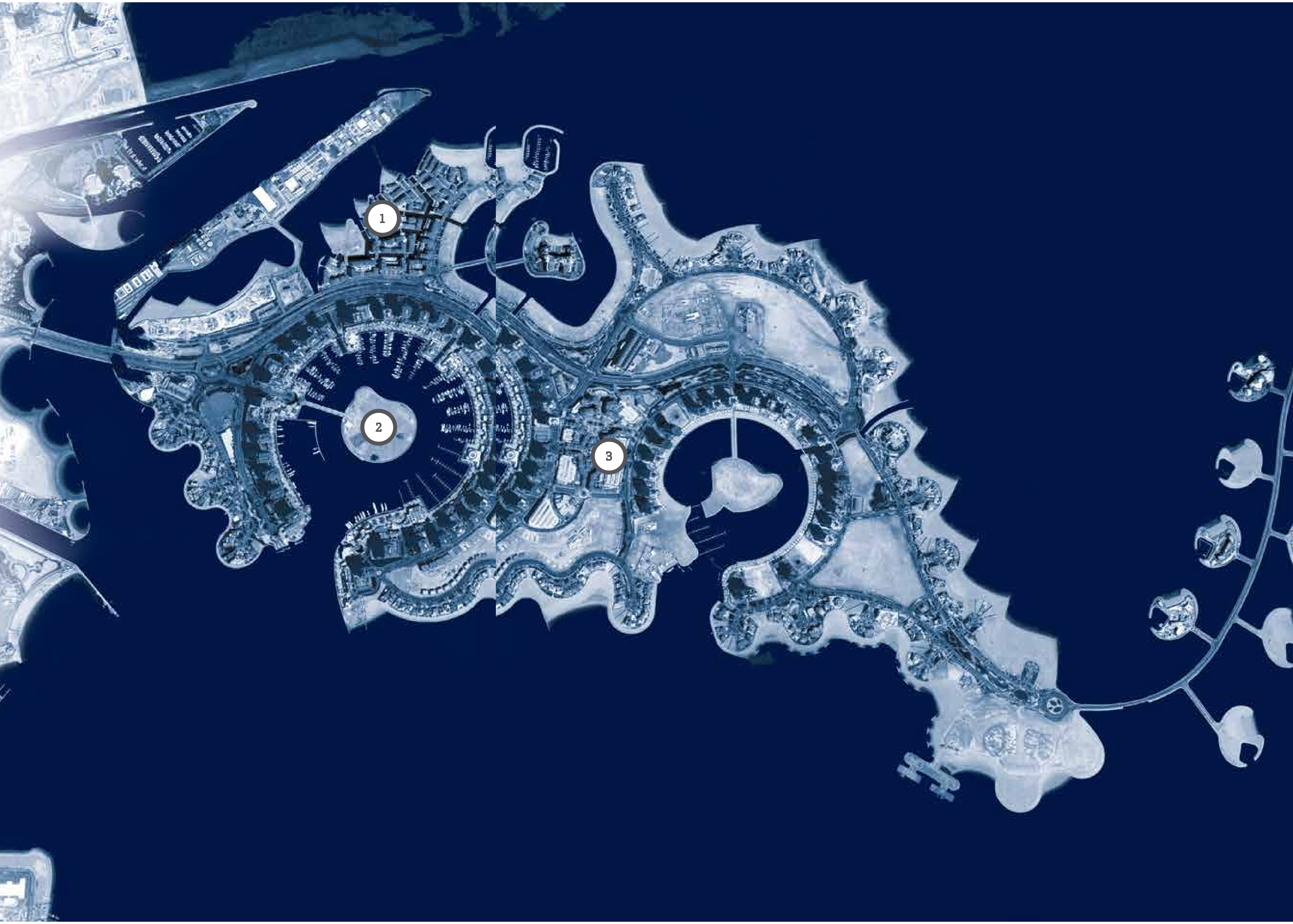
Looking Ahead

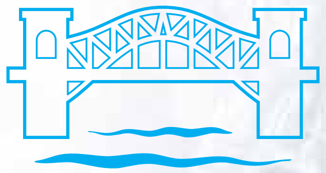
While 2015 was a strong year for Tabreed, we continue to look to the year ahead with optimism. The Tabreed of today is a solid and financially stable company, underpinned by long-term contracts with blue-chip organizations. We have a diversified portfolio of customers across the GCC region, including private and government entities, and we deliver our services to projects that are critical to each respective nation's economic development. As such, we feel confident that in-spite of the challenges that lie ahead, we remain in a very strong position to overcome them, and maintain our steady and consistent growth.

The Pearl

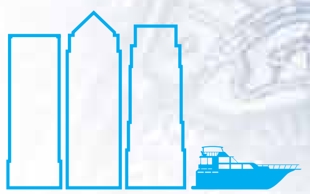
Doha, Qatar

Our Qatari affiliate, Qatar Cool, operates the world's largest district cooling plant on The Pearl, which is home to landmark projects such as:





1 | Qanat Quartier



2 | Porto Arabia

3 | Medina Centrale

Corporate Governance Report

Tabreed's corporate governance system is well developed, adopts local and international best practice and meets all relevant requirements of UAE legislation on corporate governance, including the Commercial Companies Law and the Ministerial Resolution No. (518) of 2009 (Concerning Governance Rules and Corporate Discipline Standards) and its amendments ("Ministerial Resolution 518" or "MR 518"). Ministerial Resolution 518 applies to Tabreed's listing on the Dubai Financial Market ("DFM"). The Securities and Commodities Authority ("SCA") supervises, controls and verifies Tabreed's compliance with Ministerial Resolution 518.

The Corporate Governance Report is governed by Article 14 of the Ministerial Resolution 518 and its format is prescribed by SCA. The report outlines Tabreed's overall governance structure and Tabreed's compliance with Ministerial Resolution 518 in the period of 1 January 2015 to 31 December 2015.

The following sections summarize how Tabreed has applied the principles of Ministerial Resolution No. 518 and its compliance with these principles.

Board of Directors
(Art. 3, MR 518)

The appointment, roles and responsibilities of the Board of Directors of Tabreed (the "Board" or "Board of Directors") are outlined in Tabreed's Articles of Association ("AoA").

Throughout the year, the membership balance criteria set down by Ministerial Resolution 518 in relation to executive, non-executive and independent members was maintained by Tabreed together with an appropriate level of skills, experience and capabilities across the membership.

Chairman of the Board
(Art. 4, MR 518)

In 2015, Waleed Al Mokarrab Al Muhairi presided as the Chairman of the Board. The Chairman of Tabreed's Board is a non-executive director and independent with extensive and prominent experience in international and regional corporations.

Throughout the year the Chairman ensured that the Board participated effectively at Board meetings and that each member of the Board acted the best interests of Tabreed and its shareholders. The Chairman develops the structure of, and agenda for, meetings of the Board, overseeing communication between Board members and shareholders and encouraging constructive relations between the Board members.

Members of the Board
(Art. 5, MR 518)

The members of the Board have a diverse set of skills and experience. Each member's duty is to act in the best interests of Tabreed and its shareholders. Each member of the Board ensures that Tabreed's management maintains systems and processes to ensure adherence to laws, regulations and Tabreed's operational requirements.

The Board ensures that Tabreed's management provides themwith sufficient information, in a timely manner, to make informe decisions that affect the direction of the Company. The members participate in Board meetings, giving independent opinions on strategic issues, policy, accounting, resources and principles of required behaviour. The Board tracks Tabreed's performance against strategic objectives.

Each year, all Board members disclose to Tabreed an assessment of their independence, confirmation of confidentiality, details of any share trading and details of their significant positions in public companies or other institutions.

Remuneration of Board Members (Art. 7, MR 518)

The Board members are entitled to be remunerated by an attendance fee for each meeting as allowed under the AoA. The AoA also allows the distribution of a share of profits as remuneration for Board members subject to approval by the shareholders at Tabreed's Annual General Assembly ("AGA").

Board Committees
(Art. 6, MR 518)

The Tabreed Board maintains four Board Committees:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Finance Committee; and
4. Projects Committee.

The Audit Committee (discussed in detail below) and the Nomination and Remuneration Committee are mandated by Ministerial Resolution 518.

The Finance Committee reviews and endorses all matters that have a significant impact on Tabreed's finances before submission for Board approval. This includes borrowings, hedging arrangements, business cases for major initiatives, financial reporting and budgeting.

The Projects Committee investigates the viability of each potential new project and ensures that it is subjected to the highest levels of scrutiny before presentation to the Board for approval.

Audit Committee
(Art. 9, MR 518)

The Board maintains an Audit Committee that monitors financial statements, renews and recommends changes to Tabreed's financial and control systems, appoints and maintains an appropriate relationship with the Company's external auditors. The Audit Committee also oversees the Internal Audit and Risk function and is responsible for approving recommendations for internal control improvements.

Internal Control
(Art. 8, MR 518)

Tabreed's Internal Control function is maintained by the Board and provides independent, objective and authoritative advice as well as assurance over the Internal Control environment to the Board, Audit Committee and management in order to assist them in discharging their functions and duties conferred and imposed on them.

The Board ensures that the internal controls are effective by reviewing the work of the Audit Committee, effectively dealing with risk and control issues at Board meetings and requiring that risk and internal control issues are discussed at each Board meeting. The Board also ensures that an internal control review is conducted by the Internal Control function each year.

External Auditor
(Art. 10, MR 518)

On the recommendation of the Audit Committee, the Board appointed Ernst & Young as Tabreed's external auditor at the 2015 AGA. The Board ensures that the external auditor remains independent from the Company. The external auditor has broad powers to provide reports to the general assembly and to regulatory bodies.

Delegation to Management
(Art.11, MR 518)

The Board of Tabreed provides guidance and direction to Tabreed's management towards achieving the strategic objectives of Tabreed. The day to day activities of Tabreed are delegated to management.

The Board provides such guidance through the following mandates which are approved and regularly reviewed by the Board, which together comprise the delegation of authority to management:

1. The five year strategic plan;
2. Tabreed's policies;
3. The annual budget;
4. Key Performance Indicators;
5. The delegation of authority documents;
6. Regular reporting against performance targets; and
7. A written articulation of the tasks required of management as detailed in the Corporate Governance Procedures Manual.

Shareholders' Rights
(Art. 12, MR 518)

The Board is committed to maintaining the highest standards in relation to recognition of shareholders' rights. This commitment is outlined in the Corporate Governance Procedures Manual. To that end, Tabreed maintains an appropriately resourced shareholder communications function and has also engaged the National Bank of Abu Dhabi (NBAD) to assist with shareholder engagement.

The purpose of both the shareholder communications function and NBAD's role is to ensure that shareholders receive all required financial reports and relevant information that shareholders are notified of and attend general assembly meetings, and that dividend payments, when approved, are provided to each shareholder on a timely basis.

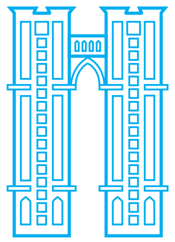
The AoA sets out the shareholders' rights to information, voting, participation at meetings and information on candidates for Board positions.

Code of Conduct
(Art. 13, MR 518)

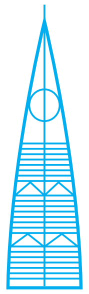
The manner in which the Board expects employees of Tabreed to behave with respect to each other, the law, customers, suppliers, stakeholders and the community is articulated in the Tabreed Code of Conduct.

Kingdom of Saudi Arabia

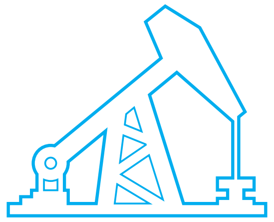
Our Saudi affiliate, Saudi Tabreed, is the largest district cooling provider in the Kingdom of Saudi Arabia and delivers its services to some of the nation's most high profile projects, including:



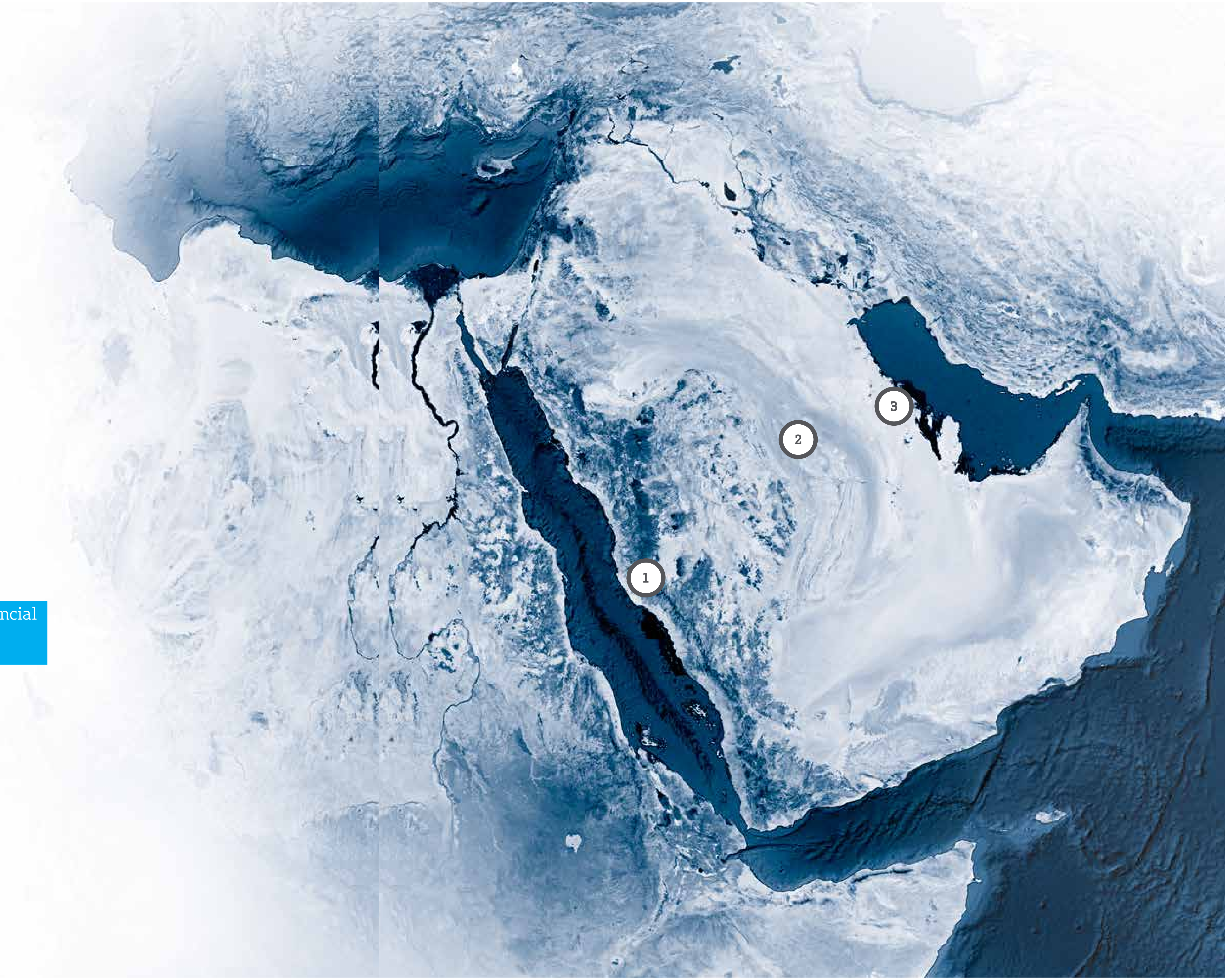
1 | Jabal Omar Development Project in the Holy City of Mecca



2 | King Abdullah Financial District in Riyadh (O&M services only)



3 | Saudi Aramco in Dhahran



Independent Auditors' Report to the Shareholders

of National Central Cooling Company PJSC.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Federal Law No.(2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i. we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Memorandum and Articles of Association of the Company;

iii. the Company has maintained proper books of account;

iv. the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Company;

v. based on the information that has been made available to us the Group has not purchased any shares or stocks during the financial year ended 31 December 2015;

vi. note 29 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

vii. based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2015, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum and Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015

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

31 January 2016 | Abu Dhabi

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2015

	Notes	**2015 AED '000**	2014 AED '000
Revenue	3 & 4	**1,171,850**	1,130,612
Operating costs	4 & 6.1	**(611,235)**	(597,020)
GROSS PROFIT		**560,615**	533,592
Administrative and other expenses	6.2	**(177,918)**	(159,534)
OPERATING PROFIT		**382,697**	374,058
Finance costs	5	**(138,987)**	(134,715)
Finance income		**1,438**	4,625
Other gains and losses	11,16 & 25	**4,203**	(1,152)
Share of results of associates and joint ventures	12 & 13	**98,660**	85,366
PROFIT FOR THE YEAR		**348,011**	328,182
Attributable to:			
Ordinary equity holders of the parent		**345,345**	325,654
Non-controlling interests		**2,666**	2,528
		348,011	328,182
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	7	**0.11**	0.09

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	**2015 AED '000**	2014 AED '000
PROFIT FOR THE YEAR		**348,011**	328,182
Other comprehensive income			
Board remuneration during the year	8	**(7,125)**	(4,500)
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		**(7,125)**	(4,500)
Net movement in fair value of derivatives in cash flow hedges		**25,897**	8,844
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	12 & 13	**(3,631)**	(13,193)
Exchange differences arising on translation of overseas operations		**(15)**	(71)
Net other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods		**22,251**	(4,420)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**363,137**	319,262
Attributable to:			
Equity holders of the parent		**360,471**	316,734
Non-controlling interests		**2,666**	2,528
		363,137	319,262

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 AED '000	2014 AED '000
ASSETS			
Non-current assets			
Capital work in progress	10	**304,723**	157,117
Property, plant and equipment	11	**3,498,466**	3,540,000
Intangible assets	14	**37,596**	37,596
Investments in associates and joint ventures	12 & 13	**641,178**	578,663
Loan to a joint venture	15 & 29	**72,276**	72,276
Finance lease receivables	16	**2,736,692**	2,761,334
		7,290,931	7,146,986
Current assets			
Inventories		**37,813**	41,578
Accounts receivable and prepayments	17	**409,506**	507,326
Finance lease receivables	16	**226,404**	220,941
Cash and term deposits	19	**176,969**	417,932
		850,692	1,187,777
Disposal group and asset held for sale	18	**91,201**	-
		941,893	1,187,777
TOTAL ASSETS		**8,232,824**	8,334,763
EQUITY AND LIABILITIES			
Equity			
Issued capital	20	**738,490**	738,490
Treasury shares	21	**(2,016)**	(2,016)
Statutory reserve	22	**197,356**	162,822
Retained earnings		**720,667**	590,665
Foreign currency translation reserve		**(2,573)**	(2,558)
Cumulative changes in fair value of derivatives in cash flow hedges		**(32,119)**	(54,385)
Mandatory convertible bond – equity component	25	**1,772,476**	2,450,238
Other reserve	22	**768,086**	977,340
Equity attributable to the equity holders of the parent		**4,160,367**	4,860,596
Non – controlling interests		**65,399**	69,997
Total equity		**4,225,766**	4,930,593
Non-current liabilities			
Accounts payable, accruals and provisions	28	**128,546**	125,692
Interest bearing loans and borrowings	24	**2,808,286**	2,020,872
Obligations under finance lease	26	**10,320**	16,082
Mandatory convertible bond– liability component	25	**173,908**	359,759
Employees' end of service benefits	27	**20,625**	21,528
		3,141,685	2,543,933
Current liabilities			
Accounts payable, accruals and provisions	28	**568,001**	521,381
Advances from a related party	23	**-**	73,869
Interest bearing loans and borrowings	24	**189,021**	152,734
Mandatory convertible bond– liability component	25	**84,909**	104,889
Obligations under finance lease	26	**7,364**	7,364
		849,295	860,237
Liabilities directly associated with the assets held for sale	18	**16,078**	-
		865,373	860,237
Total liabilities		**4,007,058**	3,404,170
TOTAL EQUITY AND LIABILITIES		**8,232,824**	8,334,763

Waleed Al Mokarrab Al Muhairi
CHAIRMAN

Jasim H. Thabet
CHIEF EXECUTIVE OFFICER

Stephen John Ridlington
CHIEF FINANCIAL OFFICER

The attached notes 1 to 33 form part of these consolidated financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Attributable to equity holders of the parent										
	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 bond- equity component* AED'000	*Other reserve* AED'000	*Total* AED'000	*Non-controlling interests* AED'000	*Total equity* AED'000
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 for the year	-	-	-	325,654	-		-	-	325,654	2,528	328,182
Other comprehensive (expense) income for the year	-	-	-	(4,500)	(71)	(4,349)	-	-	(8,920)	-	(8,920)
Total comprehensive income (expense) for the year	-	-	-	321,154	(71)	(4,349)	-	-	316,734	2,528	319,262
Dividends paid to ordinary shareholders	-	-	-	(32,953)	-	-	-	-	(32,953)	-	(32,953)
On disposal of subsidiary	-	-	-	-	-	-	-	-	-	(593)	(593)
Transfer to statutory reserve	-	-	32,566	(32,566)	-	-	-	-	-	-	-
Transfer from other reserve to retained earnings (note 22)	-	-	-	137,851	-	-	-	(137,851)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(6,196)	(6,196)
Issuance of mandatory convertible bond 4 in lieu of cash dividend to existing MCB (note 8 & 25)	-	-	-	(137,851)	-	-	97,100	40,751	-	-	-
Conversion of mandatory convertible bond 4 into ordinary shares	79,427	-	-	-	-	-	(133,879)	54,452	-	-	-
Balance at 31 December 2014	738,490	(2,016)	162,822	590,665	(2,558)	(54,385)	2,450,238	977,340	4,860,596	69,997	4,930,593
Balance at 1 January 2015	**738,490**	**(2,016)**	**162,822**	**590,665**	**(2,558)**	**(54,385)**	**2,450,238**	**977,340**	**4,860,596**	**69,997**	**4,930,593**
Profit for the year	**-**	**-**	**-**	**345,345**	**-**	**-**	**-**	**-**	**345,345**	**2,666**	**348,011**
Other comprehensive (expense) income for the year	**-**	**-**	**-**	**(7,125)**	**(15)**	**22,266**	**-**	**-**	**15,126**	**-**	**15,126**
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**338,220**	**(15)**	**22,266**	**-**	**-**	**360,471**	**2,666**	**363,137**
Transfer to statutory reserve	**-**	**-**	**34,534**	**(34,534)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends paid to ordinary shareholders (note 8)	**-**	**-**	**-**	**(36,925)**	**-**	**-**	**-**	**-**	**(36,925)**	**-**	**(36,925)**
Dividends paid to mandatory convertible bond holders (note 8)	**-**	**-**	**-**	**(136,759)**	**-**	**-**	**-**	**-**	**(136,759)**	**-**	**(136,759)**
Repurchase of mandatory convertible bonds (note 25)	**-**	**-**	**-**	**-**	**-**	**-**	**(677,762)**	**(209,254)**	**(887,016)**	**-**	**(887,016)**
Dividend paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,264)**	**(7,264)**
Balance at 31 December 2015	**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**

The attached notes 1 to 33 form part of these consolidated financial statements.

National Central Cooling Company PJSC

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* *AED '000*	*2014* *AED '000*
OPERATING ACTIVITIES			
Profit for the year		**348,011**	328,182
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of property, plant and equipment	11	**119,900**	126,014
Finance lease income	3&16	**(187,994)**	(171,618)
Share of results of associates and joint ventures	12&13	**(98,660)**	(85,366)
Net movement in employees' end of service benefits	27	**(452)**	2,248
Other gains and losses		**(4,203)**	1,152
Interest income		**(1,438)**	(4,625)
Finance costs	5	**138,987**	134,715
Working capital adjustments:			
Inventories		**(2,111)**	(4,552)
Accounts receivable and prepayments		**79,675**	(7,285)
Accounts payable, accruals and provisions		**(9,728)**	28,545
Lease rentals received	16	**230,069**	206,505
Board of Directors' remuneration paid	8	**(7,125)**	(4,500)
Net cash flows from operating activities		**604,931**	549,415
INVESTING ACTIVITIES			
Term deposits with original maturity of more than 3 months	19	**252,674**	(252,674)
Purchase of property, plant and equipment	11	**(112,957)**	(55,473)
Proceeds from sale of an associate and a subsidiary		**-**	1,749
Investments in associates and a joint venture	12&13	**-**	(91,671)
Dividends from associates	12	**33,476**	33,336
Payments for capital work in progress		**(176,738)**	(85,564)
Interest received		**1,311**	4,625
Advance received on asset held for sale	18	**11,429**	-
Net cash flows from (used in) investing activities		**9,195**	(445,672)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	24	**1,035,274**	14,997
Interest bearing loans and borrowings repaid		**(209,668)**	(151,116)
Repurchase of Mandatory Convertible Bonds 1B	25	**(1,000,000)**	(192,345)
Cash coupon paid on mandatory convertible bonds	25	**(103,517)**	(120,588)
Payment for obligations under finance lease		**(5,762)**	(5,264)
Interest paid		**(108,688)**	(102,228)
Arrangement fees paid		**(12,629)**	(13,174)
Dividends paid to ordinary shareholders and mandatory bondholder	8	**(173,684)**	(32,953)
Dividends paid to non-controlling interests		**(7,264)**	(6,196)
Net cash flows used in financing activities		**(585,938)**	(608,867)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**28,188**	(505,124)
Cash and cash equivalents at 1 January		**165,258**	670,382
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	19	**193,446**	165,258

The attached notes 1 to 33 form part of these consolidated financial statements.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

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 UAE Federal Law No.(2) of 2015 and is listed on the Dubai Financial Market. The Company is a subsidiary of the Mubadala Development Company PJSC ("MDC" or the "Parent Company"). 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. Activities of subsidiaries are described in note 9 to the consolidated financial statements.

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

The consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 31 January 2016.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and applicable requirements of the laws in the UAE.

The consolidated financial statements are prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value. The consolidated financial statements have been presented in United Arab Emirates Dirham ("AED") which is the functional currency of the Group. All values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Tabreed and its subsidiaries (the "Group") as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.2 BASIS OF CONSOLIDATION continued

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses the control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Business combinations and goodwill continued
Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Revenue recognition
Sales are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods, and the amount of revenue can be measured reliably. For supply of chilled water, revenue comprises of available capacity and variable output provided to customers and is recognised when services are provided.

The specific recognition criteria described below must also be met before revenue is recognised.

Rendering of services
Revenue from supervision contracts services is recognised as supervision services are rendered. Revenue in respect of study and design contracts services is recognised by reference to the stage of completion of the contract, when:

1) it is probable that the economic benefits associated with the contract will flow to the Group;
2) the contract costs attributable to the contract can be reliably estimated; and
3) the Group is reasonably confident about the collection of the amount recognised.

Where the Group determines that an agreement with a customer contains a finance lease, capacity payments are recognised as finance income using a rate of return to give constant periodic rate of return on the investment in each year. Finance income on finance lease receivables is included in revenue due to its operating nature.

Interest income
Interest income including interest on finance lease receivable is recognised as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial asset.

Connection fees
Connection fees are recognised on a straight line basis over the term of the respective customer contracts unless it represents a separately identifiable service and satisfies other criteria for upfront recognition to the consolidated income statement.

Lease rental
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset to the customers are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned. Where the Group determines that the cooling service agreements to contain an operating lease, capacity payments are recognised as operating lease rentals on a systematic basis to the extent that capacity has been made available to the customers during the year. Rental income arising from operating leases on chilled water plants is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies
The consolidated financial statements are presented in AED, which is the parent Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which an entity operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet reporting date.

All differences are taken to the consolidated income statement with the exception of monetary items that provide an effective hedge of a net investment in a foreign operation. These are recognised in the statement of comprehensive income until the disposal of the net investment, at which time they are recognised in the consolidated income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

ii) Group companies
The assets and liabilities of foreign operations are translated into AED at the rate of exchange ruling at the balance sheet reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Capital work in progress
Capital work in progress is recorded at cost incurred by the Group for the construction of the plants and distribution network. Allocated costs directly attributable to the construction of the assets are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and it is available for use.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised (net of interest income on temporary investment of borrowings) as part of the cost of the asset until the asset is commissioned for use. Borrowing costs in respect of completed and suspended projects or not attributable to qualifying assets are expensed in the period in which they are incurred.

For partially operational plants and distribution assets, the Company ceases capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment
Construction in progress, property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated income statement as incurred. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant and related integrated assets	over 30 years
Buildings	over 50 years
Distribution assets	over 50 years
Furniture and fixtures	over 3 to 4 years
Office equipment and instruments	over 3 to 4 years
Motor vehicles	over 4 to 5 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group performs regular major overhauls of its district cooling plants. When each major overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. The cost recognised is depreciated over the period till the next planned major overhaul.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated income statement in the year the asset is derecognised.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as lessee
Finance leases, which transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued
Group as lessor – Finance leases
Leases where the Group transfers substantially all of the risks and benefits of ownership of the asset through its contractual arrangements to the customer are considered as a finance lease. The amounts due from the lessee are recorded in the statement of financial position as financial assets (finance lease receivables) and are carried at the amount of the net investment in the lease after making provision for impairment.

Group as lessor – Operating leases
Leases in which the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases.

Investments in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of income reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investments in associates and joint ventures continued
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of income.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the plants.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.
Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 December.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Trade and settlement date accounting
All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss; The Group did not have any financial assets at fair value through profit and loss during the years ended 31 December 2015 and 2014.
- Loans and receivables; This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation relating to finance lease receivable is included under revenue. The losses arising from impairment are recognised in the consolidated statement of income in finance costs for loans and in cost of sales or other operating expenses for receivables.
- Held-to-maturity investments; The Group did not have any held-to-maturity investments during the years ended 31 December 2015 and 2014.
- Available-for-sale (AFS) investments; The Group did not have any available-for-sale investments during the years ended 31 December 2015 and 2014.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment and other financial assets continued
Derecognition of financial assets continued
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises a liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment and non-collectability of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment and non-collectability of financial assets continued
Financial assets carried at amortised cost continued
The interest income is recorded as part of finance income and revenue in the consolidated income statement for loan and receivables and finance lease receivables respectively. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated income statement.

Available for sale financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income – is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale – purchase cost on the basis of weighted average cost.
- Work in progress – costs of direct materials and labour plus attributable overheads based on a normal level of activity.
- Finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Contract work in progress
Contract work in progress represents cost plus attributable profit less provision for foreseeable losses and progress payments received and receivable.

Cash and short term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Assets classified as held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of Operations; or
- Is a subsidiary acquired exclusively with a view to resale

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of mandatory convertible bonds, term loans, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, mandatory convertible bonds, term loans and derivative financial instruments.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities continued
Subsequent measurement
The measurement of financial liabilities depends on their classification and is described below:

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Interest bearing loans & borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of income.

Mandatory convertible bond
Mandatory convertible bond is separated into liability and equity components based on the terms of the bond.

On issuance of the mandatory convertible bond, the fair value of the liability component is determined by discounting the future cash flows pertaining to the coupon payments using an estimated market interest rate for an equivalent non-convertible bond. Fair value of derivative liability, arising from a fixed range of variability in the number of shares to be issued to the bond holders is initially recognised at its fair value and subsequently remeasured at each reporting date with the changes in fair value taken to the consolidated income statement.

The balance of the proceeds is allocated to the equity conversion portion and recognised under a separate heading under shareholders' equity. On conversion at maturity, the par value of the ordinary shares issued is recognised under issued capital and any surplus recognised under share premium or retained earnings.

Transaction costs are allocated between liability and equity components of the mandatory convertible bond based on allocation of initial proceeds from the bond between the liability and equity components.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities continued

Subsequent measurement continued
Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

When equity instruments are issued to extinguish all or part of a financial liability (referred to as debt to equity swaps), the equity instruments are recognised initially at the fair value of the equity instruments issued, unless that fair value cannot be reliably measured. The difference between the fair value of the equity instruments issued and the carrying amount of the extinguished financial liability is recognised in the consolidated income statement. In the case of debt to equity swaps with a direct or indirect shareholders, the Company records the equity instruments issued at the carrying amount of the financial liability extinguished so that no profit or loss is recognised in the consolidated income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Management reviews its contracts annually.

Restructuring provisions
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provisions continued
Decommissioning liability
The Group records a provision for decommissioning costs of a manufacturing facility for the production of fire retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Employees' end of service benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to the relevant UAE Government pension scheme calculated as a percentage of the employees' salaries. The obligations under these schemes are limited to these contributions, which are expensed when due.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedging
Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as interest rate swaps to hedge risks associated with interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to consolidated income statement.

For the purpose of hedge accounting, hedges are classified as:
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a firm commitment; or
- fair value hedges when hedging the exposure to changes in the fair value of an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedging continued
Initial recognition and subsequent measurement continued
At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows or fair values, as applicable, attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or fair values, as applicable, and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in the statement of comprehensive income under the heading of "changes in fair value of derivatives", while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised in the consolidated statement of comprehensive income are transferred to the consolidated income statement when the hedged transaction affects the consolidated income statement, such as when the hedged interest expense is recognised or when a forecast sale occurs.

On restructuring of the hedged item and revocation of hedging relationship, for an effective cash flow hedge, fair value of the hedging instrument as of the date of restructuring is recognised to income statement over the shorter of remaining life of the original hedged item or hedging instrument.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the cumulative amounts recognised in the consolidated statement of changes in equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in consolidated OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated income statement. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The changes in the fair value of the hedging instrument are also recognised in the consolidated income statement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Derivative financial instruments and hedging continued

Fair value measurement
The Group measures financial instruments, such as, derivatives, and non-financial assets such as asset held for sale, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
The management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement, such as asset held for sale. External valuers are involved for valuation of significant assets, such as land. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Group’s external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group’s accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 33.

Current versus non-current classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Cash dividend and non-cash distribution to equity holders of the parent
The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of income.

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2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. Thus, these amendments did not impact the Group's consolidated financial statements or accounting policies.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 4 in this year's financial statements.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES continued

Annual Improvements 2010-2012 Cycle continued
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the consolidated financial statements of the Group.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not use any management entity.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself, the Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The Group has not made any significant acquisitions and thus, this amendment did not impact the accounting policy of the Group.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Disclosures relating to the Group's exposure to risks and uncertainties include:

• Capital management	Note 32
• Financial instruments risk management and policies	Note 32
• Sensitivity analyses disclosures	Note 32

National Central Cooling Company PJSC

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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Judgments
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

IFRIC 4 Determining whether an Arrangement contains a Lease
Management determines whether an arrangement is, or contains, a lease based on the substance of the arrangement at inception date whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company enters into Customer Cooling Services Agreements (the "Agreements") with its customers. To the extent such agreements are determined to contain a lease, the provisions of IAS 17 "leases" are applied to determine whether the Company has retained or transferred the significant risks and rewards of ownership of the related assets.

Impairment of non-financial assets – Indicators of impairment
Management determines at each reporting date whether there are any indicators of impairment relating to the Group's cash generating units, property, plant and equipment, capital work in progress and intangible assets. A broad range of internal and external factors is considered as part of the indicator review process. Refer to note 11 for details on judgements and estimates applied by the management.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimate of the outcome of future events. The Group receives claims from its customers and suppliers as part of its ongoing business and records a provision based on assessment of reliability and probability of the outflow of economic resources.

Asset retirement obligation
The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from the respective customer or third party. The cost estimates relating to asset retirement obligations can vary in response to many factors including changes to relevant legal requirements, the emergence of new techniques or experience at sites. The expected timing of expenditure can also change. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Provisions relating to contracts
The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The Group estimates any such provision based on the facts and circumstances relevant to the contract.

Determination of cash-generating unit (CGU)
A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining CGU require management to analyse the contractual terms and physical features of assets such as inter-connection and sharing of chilled water generation capabilities and requires significant judgement in determining at which level independent cash inflows are generated.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the consolidated financial statements when they occur.

Useful lives of property, plant and equipment
The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the asset compared to full utilisation capabilities of the asset and physical wear and tear. Management reviews the residual value and useful lives annually.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets
Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Company to estimate the amount and timing of future cash flows, terminal value of the assets, cost to complete the construction of the assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

The net carrying amounts of non-financial assets affected by the above estimations are as follows:

	2015	*2014*
	AED '000	*AED '000*
Capital work in progress (note 10)	**304,723**	157,117
Property, plant and equipment (note 11)	**3,498,466**	3,540,000
Intangible assets (note 14)	**37,596**	37,596

Impairment of accounts receivable, amounts due from related parties, finance lease receivable and loan to a joint venture
An estimate of the collectible amount of accounts receivable, amounts due from related parties and finance lease receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were AED 254.5 million (2014: AED 264.9 million) and impairment loss recognised in the consolidated income statement for the year ended 31 December 2015 was AED 4.3 million (2014: AED 1.7 million).

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS continued

Estimates and assumptions continued
Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory was AED 37.8 million (2014: AED 41.6 million). No provision has been made for obsolete inventories during the year ended 31 December 2015 (2014: AED nil). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the consolidated income statement.

2.6 FUTURE CHANGES IN ACCOUNTING POLICIES – STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

Management intends to adopt these standards and amendments, if applicable, when they become effective. Management is in the process of assessing the impact of these new standards and amendments on its financial statements.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

3 REVENUE

	2015	*2014*
	AED '000	*AED '000*
Supply of chilled water and operating revenue	**780,537**	732,982
Finance lease income (note 16)	**187,994**	171,618
Operating lease income	**134,224**	129,979
Value chain business	**69,095**	96,033
	1,171,850	1,130,612

4 OPERATING SEGMENTS

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

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies (note 9).
- The 'Value chain business' segment is involved in ancillary activities relating to the expansion of the Group's chilled water business (note 9).

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.

	2015				*2014*			
	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	**1,102,755**	**69,095**	**-**	**1,171,850**	1,034,579	96,033	-	1,130,612
Inter–segment revenue	**-**	**18,597**	**(18,597)**	**-**	-	15,317	(15,317)	-
Total revenue	**1,102,755**	**87,692**	**(18,597)**	**1,171,850**	1,034,579	111,350	(15,317)	1,130,612
Operating costs	**(577,028)**	**(52,341)**	**18,134**	**(611,235)**	(534,747)	(79,076)	16,803	(597,020)
Gross profit	**525,727**	**35,351**	**(463)**	**560,615**	499,832	32,274	1,486	533,592
Profit from operations	**370,428**	**11,895**	**374**	**382,697**	359,260	12,950	1,848	374,058
Finance costs	**-**	**-**	**-**	**(138,987)**	-	-	-	(134,715)
Finance income	**-**	**-**	**-**	**1,438**	-	-	-	4,625
Other gains and losses	**-**	**-**	**-**	**4,203**	-	-	-	(1,152)
Share of results of associates and joint ventures	**98,660**	**-**	**-**	**98,660**	85,366	-	-	85,366
				348,011				328,182

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 OPERATING SEGMENTS continued

Inter-segment revenues are eliminated on consolidation.

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	2015			2014		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Depreciation	**116,824**	**3,076**	**119,900**	120,435	5,579	126,014

Segment assets and liabilities are as follows:

	2015				2014			
	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000
Segment assets	**7,348,701**	**129,744**	**-**	**7,478,445**	7,249,003	203,805	-	7,452,808
Disposal group and asset held for sale	**21,055**	**70,146**	**-**	**91,201**	-	-	-	-
Investments in associates	**590,178**	**-**	**-**	**590,178**	529,430	-	-	529,430
Investment in joint ventures	**51,000**	**-**	**-**	**51,000**	49,233	-	-	49,233
Unallocated assets	**-**	**-**	**22,000**	**22,000**	-	-	303,292	303,292
Total assets	**8,010,934**	**199,890**	**22,000**	**8,232,824**	7,827,666	203,805	303,292	8,334,763
Segment liabilities	**673,838**	**43,334**	**-**	**717,172**	679,845	62,625	-	742,470
Liabilities directly associated with asset held for sale	**-**	**16,078**	**-**	**16,078**	-	-	-	-
Unallocated liabilities	**-**	**-**	**3,273,808**	**3,273,808**	-	-	2,661,700	2,661,700
Total Liabilities	**673,838**	**59,412**	**3,273,808**	**4,007,058**	679,845	62,625	2,661,700	3,404,170

Unallocated assets represent bank deposits of AED 22.0 million (2014: AED 303.2 million) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 2,997.3 million (2014: AED 2,173.6 million), obligations under finance lease of AED 17.7 million (2014: AED 23.4 million) and mandatory convertible bond – liability component of AED 258.8 million (2014: AED 464.6 million)

Other segment disclosures :

	2015			2014		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Capital expenditure:						
Property, plant and equipment	**109,291**	**3,666**	**112,957**	52,432	3,041	55,473
Capital work in progress	**191,702**	**-**	**191,702**	67,908	-	67,908
Investment in an associate and a joint venture	**-**	**-**	**-**	91,671	-	91,671

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4 OPERATING SEGMENTS continued

Geographic information

The following tables present certain non-current assets and revenue information relating to the Group based on geographical location of the operating units:

	Revenue		Non-current assets	
	2015 AED '000	2014 AED '000	2015 AED '000	2014 AED '000
United Arab Emirates	**1,128,187**	1,094,871	**6,116,684**	6,043,124
Others	**43,663**	35,741	**460,793**	452,923
	1,171,850	1,130,612	**6,577,477**	6,496,047

For this purpose, non-current assets comprise of capital work in progress, property, plant and equipment, finance lease receivables and intangible assets.

Revenue from external customers

The following table provides information relating to the Group's major customers which contribute more than 10% towards the Group's revenue in 2015 or 2014.

	2015 AED'000	2014 AED'000
Chilled water segment:		
Customer 1	**302,077**	296,839
Customer 2	**249,647**	247,952
Customer 3	**112,315**	151,352
	664,039	696,143

5 FINANCE COSTS

	2015 AED '000	2014 AED '000
Gross interest charge for the year	**138,987**	134,715
Less: interest capitalised during the year	**-**	-
Interest charged to consolidated income statement during the year	**138,987**	134,715
Interest charged to consolidated income statement comprises of:		
Interest on interest bearing loans and borrowings	**77,844**	62,896
Rental charges on Islamic financing arrangements	**-**	12,075
Accretion expense on mandatory convertible bonds (note 25)	**14,735**	20,981
Interest element of obligations under finance lease	**1,990**	2,488
Amortisation of transaction costs	**14,036**	13,729
Other finance costs	**30,382**	22,546
	138,987	134,715

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6 PROFIT FROM OPERATIONS

6.1 Operating costs

	2015 AED '000	2014 AED '000
Costs of inventories recognised as an expense	**21,816**	44,078
Depreciation (note 11)	**115,193**	121,788
Utility costs	**313,518**	277,462
Purchase of chilled water from a related party (note 29)	**99,260**	89,202
Chiller rental costs	**2,654**	3,068
Others	**58,794**	61,422
	611,235	597,020

6.2 Administrative and other expenses

	2015 AED '000	2014 AED '000
Staff costs	**120,088**	113,578
Depreciation (note 11)	**4,707**	4,226
Provision for impairment of trade receivables (note 17)	**4,331**	1,688
Other administrative and general expenses	**48,792**	40,042
	177,918	159,534

7 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 year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond (note 20).

Diluted earnings per share amounts are calculated by dividing the profit for the year 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.

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

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

	2015	2014
Profit for the year attributable to ordinary equity holders of the parent for basic earnings (*AED '000*)	**345,345**	325,654
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the year ('000)	**736,474**	692,082
Effect of mandatory convertible bond ('000)	**2,352,999**	2,766,640
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of mandatory convertible bond ('000)	**3,089,473**	3,458,722
Basic and diluted earnings per share *(AED)*	**0.11**	0.09

Basic earnings per share has been calculated on the basis of maximum number of shares that may be issued for mandatory convertible bond (note 25). The Company does not have any instruments which would have a dilutive impact on earnings per share when exercised.

8 DIVIDENDS AND BOARD REMUNERATION

On 21 January 2016, the Board of Directors resolved to recommend to the shareholders at the upcoming Annual General Assembly meeting, the distribution to shareholders and mandatory bond holder of dividend of 6 fils per share in respect of the fiscal year ended 31 December 2015.

Cash dividend of 5 fils per share pertaining to both common shareholders (AED 36.9 million) and mandatory convertible bond holders (AED 136.8 million) in respect of the fiscal year ended 31 December 2014 was approved by the shareholders at the Annual General Meeting held on 11 March 2015.

In 2014, the Board of Directors proposed a dividend of 5 fils per share 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.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2014 was also approved at the Annual General Meeting held on 11 March 2015. Board remuneration of AED 4.5 million for the year ended 31 December 2013 was approved at the previous Annual General Meeting on 24 March 2014.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

9 SUBSIDIARIES AND MATERIAL PARTLY-OWNED SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

	Country of incorporation	*Percentage of holding* **2015**	*2014*	*Principal activities*
Chilled water segment				
National Central Cooling Company Ras Al Khaimah LLC	UAE	100	100	Selling of chilled water
Summit District Cooling Company	UAE	100	100	Selling of chilled water
Bahrain District Cooling Company	Bahrain	90	90	Selling of chilled water
Tabreed Oman SAOC	Oman	60	60	Selling of chilled water
Tabreed LLC Oman	Oman	100	100	Selling of chilled water
Tabreed Operation & Maintenance Zones Cooling Stations Company LLC	UAE	100	100	Operation and maintenance of plants
Tabreed Parks Investment LLC (i)	UAE	100	-	Selling of chilled water
Value chain business segment				
Gulf Energy Systems LLC	UAE	100	100	Construction of secondary networks
Emirates Preinsulated Pipes Industries LLC	UAE	60	60	Manufacturing of pre-insulated pipes
Installation Integrity 2000 LLC	UAE	100	100	Commissioning and engineering services
CoolTech Energy Water Treatment LLC	UAE	100	100	Water treatment services and selling chilled water related products
Ian Banham and Associates	UAE	70	70	Design and supervision consultancy
Sahara Cooling and Air Conditioning LLC	UAE	51	51	Act as the commercial representative of Sahara Cooling Limited, an associate (note 12)
Tasleem Metering and Payment LLC (ii)	UAE	100	-	Billing and collection of chilled water charges from residential and retail
Others - Unallocated				
Tabreed Holdings WLL	Bahrain	100	100	Act as a holding company
Tabreed Al Maryah District Cooling Investment LLC	UAE	100	100	Act as a holding company

None of the subsidiaries have material non-controlling interests.

(i) During the year, the Company incorporated a wholly owned subsidiary, Tabreed Parks Investment LLC, in the Emirate of Dubai with a share capital of AED 300,000. The Company is under the process of constructing a new plant for a developer and the principal activity of a subsidiary would be to supply chilled water.

(ii) During the year, the Company incorporated a wholly owned subsidiary, Tasleem Metering and Payment LLC, in the Emirate of Abu Dhabi with a share capital of AED 150,000. The principal activity of the company is to bill and collect chilled water charges for certain customers.

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10 CAPITAL WORK IN PROGRESS

The movement in capital work in progress during the year is as follows:

	2015	*2014*
	AED '000	*AED '000*
Balance at 1 January	**140,121**	110,192
Additions during the year	**191,702**	67,908
Transfer to property, plant and equipment (note 11)	**(16,132)**	(37,979)
Transfer to finance lease (note 16)	**(22,896)**	-
	292,795	140,121
Advances to contractors	**11,928**	16,996
Balance at 31 December	**304,723**	157,117

Refer to note 11 for indicators and testing of impairment of cash generating units.

National Central Cooling Company PJSC

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11 PROPERTY, PLANT AND EQUIPMENT

	Land, plant and buildings *AED'000*	*Distribution network* *AED'000*	*Furniture and fixtures* *AED'000*	*Office equipment and instruments* *AED'000*	*Motor vehicles* *AED'000*	*Total* *AED'000*
2015						
Cost:						
At 1 January 2015	**3,336,179**	**1,883,476**	**10,748**	**40,180**	**1,059**	**5,271,642**
Additions	**813**	**108,273**	**997**	**2,874**	**-**	**112,957**
Transfer from capital work in progress (note 10)	**3,531**	**9,586**	**200**	**2,815**	**-**	**16,132**
Transfer to assets held for sale (note 18)	**(90,733)**	**-**	**(438)**	**(4,684)**	**(536)**	**(96,391)**
At 31 December 2015	**3,249,790**	**2,001,335**	**11,507**	**41,185**	**523**	**5,304,340**
Depreciation:						
At 1 January 2015	**490,950**	**178,494**	**10,245**	**32,840**	**991**	**713,520**
Depreciation for the year	**74,908**	**41,857**	**267**	**2,853**	**15**	**119,900**
Transfer to assets held for sale (note 18)	**(40,480)**	**-**	**(438)**	**(4,228)**	**(522)**	**(45,668)**
At 31 December 2015	**525,378**	**220,351**	**10,074**	**31,465**	**484**	**787,752**
Net carrying amount before provision for impairment:						
At 31 December 2015	**2,724,412**	**1,780,984**	**1,433**	**9,720**	**39**	**4,516,588**
Impairment:						
At 1 January 2015	**558,661**	**459,461**	**-**	**-**	**-**	**1,018,122**
Impairment during the year	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2015	**558,661**	**459,461**	**-**	**-**	**-**	**1,018,122**
Net carrying amount after provision for impairment:						
At 31 December 2015	**2,165,751**	**1,321,523**	**1,433**	**9,720**	**39**	**3,498,466**
2014						
Cost:						
At 1 January 2014	4,124,728	2,267,015	13,133	36,572	1,205	6,442,653
Additions	45,839	5,048	376	4,127	83	55,473
Transfer from capital work in progress (note 10)	29,583	8,396	-		-	37,979
Transfer from asset held for sale	21,055	-	-	-	-	21,055
Derecognised due to recognition as finance lease (note 16)	(870,801)	(396,983)	-	-	-	(1,267,784)
Assets written off	(14,225)	-	-	-	-	(14,225)
Subsidiary disposed off	-	-	(57)	(519)	(72)	(648)
Disposals	-	-	(2,704)	-	(157)	(2,861)
At 31 December 2014	3,336,179	1,883,476	10,748	40,180	1,059	5,271,642
Depreciation:						
At 1 January 2014	580,938	198,973	12,684	31,610	1,135	825,340
Depreciation for the year	96,954	27,063	309	1,671	17	126,014
Derecognised due to recognition as finance lease (note 16)	(186,250)	(47,542)	-	-	-	(233,792)
Subsidiary disposed off	-	-	(44)	(441)	(4)	(489)
Asset written off	(692)	-	-	-	-	(692)
Disposals	-	-	(2,704)	-	(157)	(2,861)
At 31 December 2014	490,950	178,494	10,245	32,840	991	713,520
Net carrying amount before provision for impairment:						
At 31 December 2014	2,845,229	1,704,982	503	7,340	68	4,558,122
Impairment:						
At 1 January 2014	483,299	355,448	-	-	-	838,747
Impairment during the year	75,362	104,013	-	-	-	179,375
At 31 December 2014	558,661	459,461	-	-	-	1,018,122
Net carrying amount after provision for impairment:						
At 31 December 2014	2,286,568	1,245,521	503	7,340	68	3,540,000

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 PROPERTY, PLANT AND EQUIPMENT continued

The depreciation charge for the year has been allocated as follows:

	2015 ***AED '000***	*2014* *AED '000*
Included in operating costs (note 6.1)	**115,193**	121,788
Included in administrative and other expenses (note 6.2)	**4,707**	4,226
	119,900	126,014

Property, plant and equipment together with the customer receivables associated with these plants of AED 4,411 million (2014: AED 772 million) have been pledged as security for the interest bearing loans (note 24).

Net book value of plant amounting to AED 36.6 million (2014: AED 38.2 million) are held under finance lease. The leased assets are pledged as security for the related finance lease liability (note 26).

The management undertakes an annual strategic review of all its projects with the view of assessing the impact of any internal or external factors on the recoverable amount of the Group's property, plant and equipment and capital work in progress.

The Company applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment and capital work in progress approved by the Company's management and Board of Directors.

The calculation of value in use is most sensitive in the following judgements and assumptions:

- Identification of cash generating units;
- Estimated use of the plant measured by its Equivalent Full Load Hours (EFLH) defined as annual ton-hours of cooling actually supplied divided by the supplying chiller's design capacity in tons;
- Amount and timing of revenue relating to capacity of the plant,
  a. contracted but not connected at year end; and
  b. not connected at year end;
- Inflation rate (3%) used to extrapolate cash flows beyond the period of the initial agreement with the respective customer;
- Cost of construction relating to plant and equipment under construction based on contracts signed to date and estimate of cost required to complete;
- Discount rate based on the Company's weighted average cost of capital (WACC) of 8.5% (2014: 8.5%); and
- Terminal value of distribution assets and buildings.

Revenue estimates are based on discussions with existing and potential customers and expected future loads. Cash inflows are based on the term of the existing contracts with the respective customers extended to the period of expected usage of the plant.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11 PROPERTY, PLANT AND EQUIPMENT continued

(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 signed a contract extension which results in load rationalisation across developments. As a result thereof, management had prudently recorded impairment for the amount of shortfall of recoverable value over the carrying amount of the property, plant and equipment representing its best estimate as at 31 December 2014. The impairment and write off charge had been reported in the consolidated income statement for the year ended 31 December 2014 under other gains and losses. The impairment recorded in the consolidated income statement related to the chilled water segment.

12 INVESTMENTS IN ASSOCIATES

The Company has the following investments in associates:

	Country of incorporation	Ownership *2015*	*2014*
Industrial City Cooling Company	United Arab Emirates	**20%**	20%
Qatar Central Cooling Company PJSC	Qatar	**44%**	44%
Tabreed District Cooling Company (Saudi)	Kingdom of Saudi Arabia	**25%**	25%
Sahara Cooling Limited	United Arab Emirates	**40%**	40%

The Group's interest in associates is accounted for using the equity method in the consolidated financial statements. Movement in investment in associates is as follows:

	2015 ***AED '000***	*2014* *AED '000*
At 1 January	**529,430**	450,582
Share of results for the year (i)	**89,581**	79,783
Additions during the year	**-**	33,276
Disposal	**-**	(1,807)
Dividends received	**(33,476)**	(33,336)
Share of changes in fair value of effective cash flow hedges	**4,643**	932
At 31 December	**590,178**	529,430

The associates are involved in the same business activity as Tabreed. The reporting dates for the associates are identical to Tabreed.

During 2014, the Company made an additional investment of AED 33.3 million in its associate Tabreed District Cooling Company (Saudi).

In the same year, 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.

(i) Adjusted by profit resulting from transactions between the Company and the associates amounting to AED 1.3 million (2014: AED 2.5 million)

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12 INVESTMENTS IN ASSOCIATES continued

The following illustrates summarised financial information of the Group's investments in associates:

	Qatar Central Cooling Company PJSC AED 000'	*Tabreed District Cooling Company (Saudi) AED 000'*	*Others AED 000'*	*Total AED 000'*
2015				
Current assets	**292,640**	**490,234**	**100,834**	**883,708**
Non-current assets	**1,299,391**	**1,328,691**	**423,903**	**3,051,985**
Current liabilities	**(264,531)**	**(256,986)**	**(51,898)**	**(573,415)**
Non-current liabilities	**(509,223)**	**(913,371)**	**(290,194)**	**(1,712,788)**
Net assets	**818,277**	**648,568**	**182,645**	**1,649,490**
Tabreed's share of net assets	**360,042**	**162,142**	**67,994**	**590,178**
2014				
Current assets	292,521	393,321	84,789	770,631
Non-current assets	1,240,472	1,024,661	438,123	2,703,256
Current liabilities	(77,107)	(118,298)	(54,273)	(249,678)
Non-current liabilities	(704,584)	(749,808)	(304,720)	(1,759,112)
Net assets	751,302	549,876	163,919	1,465,097
Tabreed's share of net assets	330,573	137,468	61,389	529,430
2015				
Revenue	**352,822**	**181,888**	**114,598**	**649,308**
Cost of sales	**(149,215)**	**(66,370)**	**(57,630)**	**(273,215)**
Administrative and other expenses	**(88,717)**	**(26,211)**	**(1,585)**	**(116,513)**
Other Income	**-**	**72,982**	**-**	**72,982**
Net finance cost	**(10,573)**	**(29,273)**	**(13,454)**	**(53,300)**
Other Charges	**-**	**(20,000)**	**-**	**(20,000)**
Profit for the year	**104,317**	**113,016**	**41,929**	**259,262**
Tabreed's share of results for the year	**45,900**	**28,254**	**16,736**	**90,890**
2014				
Revenue	339,919	154,830	104,656	599,405
Cost of sales	(172,480)	(59,434)	(48,580)	(280,494)
Administrative and other expenses	(39,455)	(20,999)	(16,401)	(76,855)
Other Income	-	30,820	-	30,820
Net finance cost	(16,509)	(19,661)	(14,118)	(50,288)
Profit for the year	111,475	85,556	25,557	222,588
Tabreed's share of results for the year	49,049	21,389	11,844	82,282

Net assets of associates include the Company's share of negative fair value of derivatives of associates amounting to AED 6.8 million (2014: AED 11.5 million).

13 INVESTMENTS IN JOINT VENTURES

The Company has the following investments in joint ventures:

		Ownership	
	Country of incorporation	***2015***	*2014*
SNC Lavalin Gulf Contractors LLC	United Arab Emirates	**51%**	51%
S&T Cool District Cooling Company LLC	United Arab Emirates	**50%**	50%
Business District Cooling Investment LLC	United Arab Emirates	**50%**	50%

SNC Lavalin Gulf Contractors LLC (SLGC), a limited liability company is involved in engineering, procurement, construction and construction management in the field of District Cooling. The Group's interest in SLGC is accounted for using the equity method in the consolidated financial statements.

S&T Cool District Cooling Company LLC (S&T), a limited liability company, incorporated in Emirate of Abu Dhabi, is involved in the same business activity as Tabreed. The Group's interest in S&T is accounted for using the equity method in the consolidated financial statements.

During 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 had been accounted for as a joint venture under equity method of accounting as both the shareholders jointly control and have equal rights to the net assets.

The reporting date for the joint ventures is identical to Tabreed.

Movement in investments in joint ventures is as follows:

	2015	*2014*
	AED '000	*AED '000*
At 1 January	**49,233**	1,666
Addition during the year	**-**	58,395
Share of results for the year	**7,770**	3,084
Share of changes in fair value of effective cash flow hedges	**(8,274)**	(14,125)
Adjustments for inter group transactions	**2,271**	213
At 31 December	**51,000**	49,233
Share of the joint ventures' revenues and profits:		
Revenues	**104,789**	62,126
Profit for the year	**7,770**	3,084

The following illustrates summarised financial information of the Group's investments in joint venture:

	2015	*2014*
	AED '000	*AED '000*
Revenue	**203,537**	123,505
Cost of sales	**(168,820)**	(104,778)
Administrative and other expenses	**(8,151)**	(10,463)
Other Income	**222**	14
Net finance cost	**(11,275)**	(2,142)
Profit for the year	**15,513**	6,136
Tabreed's share of results for the year	**7,770**	3,084

National Central Cooling Company PJSC

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13 INVESTMENTS IN JOINT VENTURES *continued*

	2015	*2014*
	AED '000	*AED '000*
Current assets	**284,660**	267,263
Non-current assets	**1,246,040**	1,285,957
Current liabilities	**(225,437)**	(225,554)
Non-current liabilities	**(1,130,989)**	(1,156,922)
Loan from shareholders (note 15)	**(72,276)**	(72,276)
Total net assets	**101,998**	98,468
Tabreed's share of net assets	**51,000**	49,233

Net assets of joint ventures include the Company's share of negative fair value of derivatives of a joint venture amounting to AED 22.4 million (2014: AED 14.1 million).

None of the joint ventures are individually material to the Group.

14 INTANGIBLE ASSETS

	Goodwill	
	2015	*2014*
	AED '000	*AED '000*
Balance at 1 January and 31 December	**37,596**	37,596

Impairment testing of goodwill

Carrying amount of goodwill allocated to each of the cash generating units is as follows:

	2015	*2014*
	AED '000	*AED '000*
Ian Banham & Associates	**27,711**	27,711
UAE Armed Forces	**9,712**	9,712
Other	**173**	173
Total	**37,596**	37,596

National Central Cooling Company PJSC

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14 INTANGIBLE ASSETS *continued*

Impairment testing of goodwill continued

Goodwill acquired through business combinations has been allocated to the following main individual cash-generating units, for impairment testing:

- Ian Banham & Associates cash-generating unit relating to goodwill arising from acquisition of equity interest in Ian Banham & Associates; and
- UAE Armed Forces cash generating unit relating to goodwill arising from acquisition of Gulf Energy Systems.

Ian Banham & Associates
The recoverable amount of the Ian Banham & Associates unit has been determined based on a value in use calculation using revenue and cost cash flow projections approved by the board of directors covering a five-year period ending 31 December 2020. The discount rate applied to the cash flow projections is 25% (2014: 25%). Revenue is earned from project supervision and study and design contracts. The revenue in the five year cash flow model reflects management estimates of projected revenue on a conservative basis. Contract costs primarily represent salaries and related benefits of technical staff such as engineers and other administrative costs. Such costs are included in the model based on current expected market trend. The cash flow projections include an estimate of terminal value based on inflation related growth rate of 3% (2014: 3%).

UAE Armed Forces cash generating unit
The recoverable amount of the UAE Armed Forces cash generating unit is determined based on a value in use calculation using cash flow projections. Revenue comprises of available capacity and variable output based on a signed contract with customer for a period of 20 years. The plant will be transferred to the customer at the end of the contract. The operating costs mainly represent cost of utilities to operate the plants in the cash generating unit and salaries and related benefits of staff and are determined based on management's approved financial forecast. The discount rate applied to the cash flow projections is 8.5% (2014: 8.5 %) representing the Company's weighted average cost of capital.

15 LOAN TO A JOINT VENTURE

	2015	*2014*
	AED '000	*AED '000*
Loan to a joint venture	**72,276**	72,276

The Company has granted a loan of AED 72.3 million to S&T District Cooling Company LLC, a joint venture. The loan is unsecured and interest free. The amount is not expected to be repaid within twelve months from the reporting date.

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16 FINANCE LEASE RECEIVABLES

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

	2015	*2014*
	AED '000	*AED '000*
At 1 January	**2,982,275**	1,736,693
Initial recognition of new finance lease receivables during the year (i)	**22,896**	1,280,469
Finance lease income (note 3)	**187,994**	171,618
Lease rentals received	**(230,069)**	(206,505)
At 31 December	**2,963,096**	2,982,275

Analysed in the consolidated statement of financial position as follows:

	2015	*2014*
Current assets	**226,404**	220,941
Non-current assets	**2,736,692**	2,761,334
	2,963,096	2,982,275

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

	2015		*2014*	
	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	**234,003**	**226,404**	228,281	220,941
After one but no more than five years	**981,812**	**813,471**	952,044	796,569
More than five years	**4,187,306**	**1,923,221**	4,411,285	1,964,765
	5,403,121	**2,963,096**	5,591,610	2,982,275
Unearned revenue	**(2,440,025)**	**-**	(2,609,335)	-
	2,963,096	**2,963,096**	2,982,275	2,982,275

Movement in unearned revenue is as follows:

	2015	*2014*
	AED '000	*AED '000*
At 1 January	**2,609,335**	2,064,391
Relating to new finance leases	**18,684**	716,562
Recognised during the year (note 3)	**(187,994)**	(171,618)
At 31 December	**2,440,025**	2,609,335

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 CONSOLIDATED FINANCIAL STATEMENTS
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16 FINANCE LEASE RECEIVABLES continued

(i) During the year, Tabreed Oman, a subsidiary, signed a Master Cooling Agreement (the "Agreement") with a customer for a contract period of 15 years. Management has carried out an assessment of the arrangement to provide cooling services to the customer through the specified plants in accordance with the terms of the 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.

The plant has been transferred from contract work in progress and finance lease receivable has been recorded at fair value of AED 22.8 million.

(ii) During 2014, the Company signed an amendment to the Master Cooling Agreement (the "Amendment Agreement") with a customer. The Amendment Agreement introduced various revisions to the terms of the original Master Cooling Agreement for specified plants and related distribution network.

Management had 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 had been derecognized from property, plant and equipment and finance lease receivable had 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 during 2014. The Group also recognised 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. The loss had been reported in the consolidated income statement under 'other gains and losses' and the provision balance had been reported within 'other payables and provisions' (note 28).

17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2015	*2014*
	AED '000	*AED '000*
Trade receivables, net	**238,404**	252,950
Amounts due from related parties (note 29)	**53,869**	156,242
Advances to contractors and employees	**19,117**	23,108
Contract work in progress	**40,058**	40,484
Deposits and other receivables	**47,981**	22,714
Prepayments	**10,077**	11,828
	409,506	507,326

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17 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

As at 31 December 2015, trade receivables with a nominal value of AED 16.1 million (2014: AED 11.9 million) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were as follows:

	2015	*2014*
	AED '000	*AED '000*
At 1 January	**11,932**	11,960
Charge for the year (note 6.2)	**4,331**	1,688
Amounts written off	**(128)**	(1,716)
At 31 December	**16,135**	11,932

As at 31 December, the ageing analysis of unimpaired trade receivables and amounts due from related parties is as follows:

			Past due but not impaired					
	Total	*Neither past due nor impaired*	*< 30 days*	*30 – 60 days*	*60 – 90 days*	*90 – 120 days*	*120 – 365 days*	*>365 days*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2015	**292,273**	**191,338**	**20,177**	**9,942**	**9,743**	**6,752**	**28,109**	**26,212**
2014	409,192	199,563	37,956	9,798	11,414	8,268	38,118	104,075

Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are therefore, unsecured.

Trade receivables are non-interest bearing and are generally on 30 – 60 days terms. For terms and conditions relating to related party receivables, refer to note 29.

18 DISPOSAL GROUP AND ASSET HELD FOR SALE

(i) Disposal group held for sale

During the year, the Board of Directors approved the management to engage with a potential buyer to sell a subsidiary, included in the value chain business segment. The negotiations with the potential buyer have reached an advanced stage with expected completion within 12 months from the reporting date. The assets and liabilities of the subsidiary are classified as a 'disposal group held for sale' and measured at the lower of their carrying amount and fair value less cost to sell as at 31 December 2015 in accordance with the requirements of IFRS 5.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18 DISPOSAL GROUP AND ASSET HELD FOR SALE continued

The major classes of assets and liabilities of the subsidiary classified as 'disposal group held for sale' as at 31 December 2015 are as follows:

	At 31 December 2015 AED '000
Assets	
Property, plant and equipment	29,668
Trade and other receivables	18,122
Inventories	5,879
Bank balances and cash associated with assets held for sale (note 19)	16,477
Assets held for sale	**70,146**
Liabilities	
Employees' end of service benefits	(451)
Accounts payables, advances and accruals	(15,627)
Liabilities directly associated with assets held for sale	**(16,078)**
Net assets held for sale	**54,068**

(ii) Asset held for sale

During the year, the Board of Directors resolved to sell a plot of land owned by the Group in Oman. The plot was purchased to be used as land for construction of a district cooling plant. However, the plant was constructed on an alternative site instead and hence the carrying amount of land is now expected to be recovered through sale rather than continuing use. The carrying amount of the land amounting to AED 21,055 thousand was classified as "asset held for sale" as of 31 December 2015. The Company has also received an advance of AED 11.4 million from the customer for the sale of this land.

Subsequent to year end, the sale has been concluded at a gain of AED 1.6 million.

19 CASH AND TERM DEPOSITS

Bank balances and cash included in the consolidated statement of financial position:

	***2015* AED '000**	*2014 AED '000*
Bank balances and cash	**154,969**	114,640
Bank deposits	**22,000**	303,292
	176,969	417,932

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

19 CASH AND TERM DEPOSITS continued

Cash and cash equivalents included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

	At 31 December 2015 AED '000	*At 31 December 2014 AED '000*
Bank balances and cash	**154,969**	114,640
Bank deposits with original maturity of less than 3 months	**22,000**	50,618
Bank balance and cash attributable to disposal group (note 18)	**16,477**	-
Cash and cash equivalents as at 31 December	**193,446**	165,258

Bank deposits attract a fixed rate of interest ranging from 1.0% to 1.6% per annum (2014: 0.20% to 2.0% per annum).

Geographical concentration of cash and term deposits is as follows:

	2015 AED '000	*2014 AED '000*
Within UAE	**179,813**	404,497
Outside UAE	**13,633**	13,435
	193,446	417,932

20 ISSUED CAPITAL

	***2015* AED '000**	*2014* AED '000
Authorised, issued and fully paid up share capital		
Shares 738,489,648 (2014: 738,489,648) ordinary shares of AED 1 each	**738,490**	738,490

21 TREASURY SHARES

The Company set up an employee incentive scheme in accordance with the Board of Directors resolution dated 17 December 2000, and contributed to a shareholder for the purchase of the Company's ordinary shares and to act as a custodian for such shares. The Company retains the significant risks and rewards associated with those shares.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 RESERVES

Statutory reserve
As required by the UAE Federal Law No. (2) of 2015 and the articles of association of the Company, 10% of the profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the issued capital. The reserve is not available for distribution.

Other reserve
This represents amounts transferred on repurchase of MCB 08 on 19 May 2011 through delivery of 415,683,447 shares. AED 1,145.2 million represents difference between the total of liability and equity components extinguished and shares issued. The reserve also includes an amount of AED 8,671 thousand created on settlement of subordinated loan facility - Tranche B into mandatory convertible bonds in 2012.

During the year 2014, the Company's Board of Directors resolved to transfer an amount of AED 137.8 million from the other reserve to retained earnings (note 25).

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during the year an amount of AED 54.4 million was transferred to other reserve which represents the difference between the carrying of MCB-4 and the amount attributable to share capital.

Further, during the year, the Company repurchased a portion of MCB-1B (note 25) that resulted in a one off charge to the other reserves amounting to AED 209.3 million.

Following the conversion of a tranche of mandatory convertible bond ("MCB-4"), during 2014, an amount of AED 54.4 million was transferred to other reserve which represented the difference between the carrying of MCB-4 and the amount attributable to share capital.

23 ADVANCES FROM A RELATED PARTY

These represent advances received from an associate of a major shareholder relating to funding support for the construction of property, plant and equipment (note 29). During the year, the balance was fully settled as part of an agreement with the related party.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 INTEREST BEARING LOANS AND BORROWINGS

	Effective interest rate %	***2015 AED '000***	*2014 AED '000*
Term loan 1- Facility A (note i)	EIBOR + margin	**473,168**	586,201
Term loan 1- Facility B (note i)	EIBOR + margin	**1,358,882**	1,417,810
Term loan 1- Facility C (note i)	EIBOR + margin	**997,828**	-
Term loan 2 (note ii)	LIBOR + margin	**133,744**	142,188
Term loan 3 (note iii)	3%	**-**	27,407
Term loan 4 Note iii)	4.5%	**33,685**	-
		2,997,307	2,173,606

Analysed in the consolidated statement of financial position as follows:

	2015 AED '000	*2014 AED '000*
Current portion	**189,021**	152,734
Non-current portion	**2,808,286**	2,020,872
	2,997,307	2,173,606

(i) Term loan 1 – facility (A, B and C)
During 2014, the Company refinanced the existing interest bearing loans and borrowings and Islamic financing arrangements of AED 2.14 billion (together the "existing loans"), and obtained AED 450 million in revolving facility.

The previous loans were refinanced as term loan facilities A and B amounting to AED 692 million and AED 1.45 billion respectively. The facilities carry interest rates of EIBOR plus a margin.

Facility A
The facility A is repayable in 9 equal semi-annual instalments of AED 76.9 million each commencing from 31 December 2014 with the last instalment due on 31 December 2018.

Facility B
Facility B is repayable in 4 equal semi-annual instalments of AED 76.9 million each commencing from 30 June 2019 and the remainder in a bullet payment on 31 March 2021.

A revolving facility of AED 450 million is also extended to the Group and replaces existing revolving facility of AED 180 million and documentary credit facility of AED 150 million. The new revolving facility is to be utilised in the form of issuance of documentary credits and drawing cash advances. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 March 2021. As of 31 December 2015, the Company did not make any draw downs on the revolving facility.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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24 INTEREST BEARING LOANS AND BORROWINGS continued

Facility C
During the year, the Company obtained a new term loan facility – Facility C, under its existing financing arrangement with a syndicate of local commercial banks amounting to AED 1,000 million to finance the repurchase of Mandatory Convertible Bond 1B (note 25). The facility carries interest rate of EIBOR plus a margin.

Facility C is repayable in 11 equal semi-annual instalments of AED 18.2 million commencing on 31 December 2015 with a bullet payment of AED 800 million on 31 March 2021. All other terms of the new facility are the same as the existing facilities.

Interest on the loan facilities is payable in cash on a quarterly basis. The facilities are secured against plants, equipment and trade debtors (refer note 11).

(ii) Term loan 2
Term loan 2 relating to a subsidiary borrowing is repayable in 22 semi-annual instalments starting 2008.

(iii) Term loan 3 and 4
During the year, a subsidiary of the Group refinanced its existing loan of AED 27.4 million with a local commercial bank. In accordance with the refinancing arrangement, the refinanced loan of AED 35.3 million is repayable in 35 quarterly instalments commencing three months after the drawdown date and carries fixed interest of 4.5% per annum. The loan is secured by pari passu charge over plant and machinery.

25 MANDATORY CONVERTIBLE BONDS (MCB)

	Mandatory convertible bond (MCB)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
At 31 December 2015:			
MCB 1A (representing 989,944,912 shares at AED 1 each)	**134,428**	**870,575**	**1,005,003**
MCB 1B (representing 289,626,849 shares at AED 1 each)	**38,403**	**244,850**	**283,253**
MCB 1C (representing 639,862,459 shares at AED 1 each)	**85,986**	**559,951**	**645,937**
MCB 4 (representing 57,605,736 shares at AED 1 each)	**-**	**97,100**	**97,100**
Total 1,977,039,956 shares @ AED 1 each	**258,817**	**1,772,476**	**2,031,293**

National Central Cooling Company PJSC

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25 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

	Mandatory convertible bond (MCB)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
At 31 December 2014:			
MCB 1A (representing 989,944,912 shares at AED 1 each)	172,400	870,575	1,042,975
MCB 1B (representing 1,047,776,962 shares at AED 1 each)	181,682	922,612	1,104,294
MCB 1C (representing 639,862,459 shares at AED 1 each)	110,566	559,951	670,517
MCB 4 (representing 57,605,736 shares at AED 1 each)	-	97,100	97,100
Total 2,735,190,069 shares @ AED 1 each	464,648	2,450,238	2,914,886

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

	At 31 December 2015 AED '000	*At 31 December 2014 AED '000*
Current	**84,909**	104,889
Non-current	**173,908**	359,759
	258,817	464,648

The Group has four series of MCBs in issue.

Mandatory convertible bond MCB-1A

The Group has two MCB1A bonds in issue:

- A mandatory convertible bond ("MCB-1A") was issued on 1 April 2011 in the form of trust certificates for a total value of AED 635 million, maturing in March 2019; and
- A mandatory convertible bond ("MCB-1A") was issued on 31 December 2012 in the form of trust certificates for a total value of AED 411 million, maturing in March 2019. This bond was issued as settlement of sub-ordinated loan facility Tranche B.

MCB-1A carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The MCB-1A shall be converted upon maturity into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

Transaction costs in connection with the issuance of the MCB-1A on inception amounted to AED 10.9 million.

The liability component of MCB-1A amounting to AED 134 million (2014: AED 172 million) net of transaction costs, represents present value of cash coupon payable till maturity, discounted at a market rate of 4% on inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1A amounting to AED 871 million (2014: AED 871 million) net of transaction costs, have been recognised as the equity component of MCB-1A.

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25 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

Mandatory convertible bond MCB-1B

A mandatory convertible bond ("MCB-1B") was issued on 1 April 2011 in the form of trust certificates for a total value of AED 1,065 million, maturing in March 2019.

MCB-1B carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The MCB-1B shall be converted upon maturity into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

Transaction costs in connection with the issuance of the MCB-1B on inception amounted to AED 18.2 million.

The liability component of MCB-1B amounting to AED 38 million (2014: AED 182 million) net of transaction costs, represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1B amounting to AED 245 million (2014: AED 923 million) net of transaction cost, have been recognised as the equity component of MCB-1B and adjusted for the settlement in kind of the coupon amounting to AED 144.8 million (2014: AED 114.7 million) relating to the period from inception to 31 December 2012.

On 7 June 2015, the Shareholders of the Company, at an Ordinary General Assembly, resolved to repurchase a portion of mandatory convertible bonds (MCB-1B) with a carrying amount of AED 795.9 million at a repurchase price of AED 1,000 million. The sale and repurchase agreement with the mandatory convertible bond holder was finalised on 30 June 2015 and consideration was subsequently transferred on 1 July 2015.

In line with the requirement of IFRS, the repurchase price of AED 113 million allocated to the liability component is determined as the fair value at the date of repurchase based on the present value of coupons payable till maturity discounted at current market rate of 6.3% per annum. The resulting gain of AED 5.1 million is recorded within other gains and losses in the consolidated income statement.

The remainder of the repurchase price of AED 887 million is allocated to the equity component resulting in an adjustment of AED 209.3 million in equity under other reserves.

	Carrying amount AED '000	*Price allocation AED '000*	*Difference AED '000*
MCB 1B – Liability component	118,099	112,984	5,115
MCB 1B – Equity Component	677,762	887,016	(209,254)
	795,861	**1,000,000**	**(204,139)**

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25 MANDATORY CONVERTIBLE BONDS (MCB) *continued*

Mandatory convertible bond MCB-1C

During 2012, the Group issued mandatory convertible bond ("MCB-1C") in the form of trust certificates for a total value of AED 720 million, maturing in March 2019.

MCB-1C carries a cash coupon of 4% per annum from 1 January 2013 to 31 March 2019, payable in arrears on a quarterly basis and will be converted into ordinary shares of the Company based on a fixed exchange ratio of 1.1259. The bond is subordinated in right of payment to the claims of creditors of the Company.

The liability component of MCB-1C amounting to AED 86 million (2014: AED 111 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% at inception, which is determined on the basis of a bond with similar terms and conditions, but without the condition of mandatory conversion into ordinary shares at the redemption.

The remainder of the proceeds, at inception, from MCB-1C amounting to AED 560 million (2014: AED 560 million) have been recognised as the equity component of MCB-1C.

Mandatory convertible bond MCB-4

A mandatory convertible bond ("MCB-4") was issued on 22 May 2013 in the form of trust certificates for a total value of AED 133.9 million maturing in April 2019.

MCB-4 does not carry a coupon. The instrument is convertible any time from now until maturity in 2019 into ordinary shares of the Company based on a fixed exchange ratio of 1.6856. The bond is subordinated in right of payment to the claims of creditors of the Company. MCB-4 has therefore been fully recognised as an equity instrument.

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.

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 mandatory convertible bonds MCB 1A, 1B, 1C and MCB 4 have been issued without any pledge or security.

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

	Mandatory convertible bond (MCB 1A)		
	Liability component AED '000	*Equity component AED '000*	*Total AED '000*
Balance at 1 January 2015	172,400	870,575	1,042,975
Accretion expense	6,284	-	6,284
Amortisation of transaction costs	327	-	327
Cash coupons paid	(44,583)	-	(44,583)
Balance at 31 December 2015	**134,428**	**870,575**	**1,005,003**

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

25 MANDATORY CONVERTIBLE BOND (MCB) *continued*

	Mandatory convertible bond (MCB 1B) Liability component AED '000	Equity component AED '000	Total AED '000
Balance at 1 January 2015	181,682	922,612	1,104,294
Accretion expense	4,388	-	4,388
Repurchase	(118,099)	(677,762)	(795,861)
Amortisation of transaction costs	549	-	549
Cash coupons paid	(30,117)	-	(30,117)
Balance at 31 December 2015	**38,403**	**244,850**	**283,253**

	Mandatory convertible bond (MCB 1C) Liability component AED '000	Equity component AED '000	Total AED '000
Balance at 1 January 2015	110,566	559,951	**670,517**
Accretion expense	4,063	-	**4,063**
Amortisation of transaction costs	174	-	**174**
Cash coupons paid	(28,817)	-	**(28,817)**
Balance at 31 December 2015	**85,986**	**559,951**	**645,937**

	Mandatory convertible bond (MCB 4) Liability component AED '000	Equity component AED '000	Total AED '000
Balance at 1 January and 31 December	**-**	**97,100**	**97,100**
Total balance of MCBs at 31 December 2015	**258,817**	**1,772,476**	**2,031,293**
Total balance of MCBs at 31 December 2014	464,648	2,450,238	2,914,886

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26 OBLIGATIONS UNDER FINANCE LEASE

During 2006, the Company entered into a sale and lease back agreement with a third party relating to certain plants (note 11) for an amount of AED 55.8 million. The lease carries interest at an effective rate of 9.5% per annum and is repayable in monthly instalments over a period of 12 years.

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

	2015		*2014*	
	Minimum lease payments AED '000	**Present value of payments AED '000**	*Minimum lease payments AED '000*	*Present value of payments AED '000*
Within one year	**7,749**	**7,364**	7,749	7,364
After one year but not more than five years	**12,254**	**10,320**	20,003	16,082
	20,003	**17,684**	27,752	23,446
Less: amounts representing finance charges	**(2,319)**	**-**	(4,306)	-
Present value of minimum lease payments	**17,684**	**17,684**	23,446	23,446

The finance lease liability is classified in the consolidated statement of financial position as follows:

	2015 AED '000	*2014 AED '000*
Current	**7,364**	7,364
Non-current	**10,320**	16,082
	17,684	23,446

27 EMPLOYEES' END OF SERVICE BENEFITS

The Company provides for employees' end of service benefits in respect of its expatriate employees in accordance with the employees' contracts of employment. The movements in the provision recognised in the consolidated statement of financial position are as follows:

	2015 AED '000	*2014 AED '000*
Balance at 1 January	**21,528**	19,851
Reclassified to disposal group held for sale (note 18)	**(451)**	-
Net movement during the year	**(452)**	1,677
Balance at 31 December	**20,625**	21,528

National Central Cooling Company PJSC

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28 ACCOUNTS PAYABLE AND ACCRUALS

	2015 *AED '000*	*2014* *AED '000*
Non-current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**10,154**	-
Others:		
Other payables and provisions	**118,392**	125,692
	128,546	125,692
Current liabilities		
Relating to capital expenditure:		
Contractor payable and retentions	**66,360**	50,606
Accrued expenses and provisions	**53,444**	45,824
	119,804	96,430
Others:		
Accounts payable	**42,251**	50,920
Due to related parties – associates (note 29)	**52,363**	29,633
Accrued expenses	**182,985**	160,546
Other payables and provisions	**170,598**	183,852
	448,197	424,951
	568,001	521,381

Terms and conditions of the financial liabilities:

Accounts payable and other financial liabilities are non-interest bearing and are normally settled on 60 day terms.

Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contracts.

For terms and conditions relating to related parties, refer to note 29.

During the year, Company received advance amounting to AED 11.4 million against a plot of land owned by the Group in Oman, classified as "asset held" for sale (note 18).

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29 RELATED PARTY TRANSACTIONS AND BALANCES

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, 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 consolidated income statement are as follows:

	2015				*2014*			
	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	**-**	**99,260**		**4,704**	-	89,202	-	4,371
Majority shareholder	**-**	**-**	**14,735**	**-**	-	-	20,981	-
Associate of a majority shareholder	**112,795**	**-**	**-**	**-**	151,804	-	-	-
Government related departments and institutions	**44,879**	**153,832**	**25,250**	**-**	33,488	120,251	26,707	-

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

			2015		
	Loan receivable	***Mandatory convertible bond***	***Accounts Receivable***	***Accounts payables and advances***	***Interest bearing loans***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Associated companies	**-**	**-**	**22,266**	**36,673**	**-**
Joint venture	**72,276**		**15,548**	**-**	
Majority shareholder (note 25)	**-**	**2,031,293**	**-**	**-**	**-**
Associate of a majority shareholder	**-**	**-**	**8,004**	**-**	**-**
Government related departments and institutions	**-**	**-**	**8,051**	**15,690**	**1,158,027**
	72,276	**2,031,293**	**53,869**	**52,363**	**1,158,027**

			2014		
	Loan receivable	*Mandatory convertible bond*	*Accounts Receivable*	*Accounts payables and advances*	*Interest bearing loans*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Associated companies	-	-	20,057	25,940	-
Joint venture	72,276	-	11,771	-	-
Majority shareholder (note 25)	-	2,914,886	-	-	-
Associate of a majority shareholder	-	-	120,946	73,869	-
Government related departments and institutions	-	-	3,468	3,693	1,641,026
	72,276	2,914,886	156,242	103,502	1,641,026

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29 RELATED PARTY TRANSACTIONS AND BALANCES *continued*

Terms and conditions of transactions with related parties
Transactions with related parties are made at agreed terms and conditions approved by management and are analysed as follows:

	Terms and conditions	***2015*** ***AED '000***	*2014* *AED '000*
Loan to a joint venture	Interest free, unsecured, settlement in cash	**72,276**	72,276
Mandatory convertible bond 1A	Interest bearing, unsecured, cash coupon	**1,005,003**	1,042,975
Mandatory convertible bond 1B	Interest bearing, unsecured, cash coupon	**283,253**	1,104,294
Mandatory convertible bond 1C	Interest bearing, unsecured, cash coupon	**645,937**	670,517
Mandatory convertible bond 4	Unsecured	**97,100**	97,100
Accounts receivable	Interest free, unsecured, settled over agreed payment terms	**53,869**	156,242
Accounts receivable from associate of a majority shareholder	Interest free, unsecured, payment terms as per agreed payment terms	**8,004**	120,946
Accounts payable	Interest free, unsecured, settled over normal credit period	**36,673**	25,940
Advance from a related party	Interest free, unsecured, settled on net basis	**-**	73,869
Interest bearing arrangements and Government related institutions	Interest bearing, secured, settled as per terms of the loan agreement	**1,158,027**	1,641,026
Accounts receivables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period	**8,051**	3,468
Accounts payables with Government related departments and institutions	Interest free, unsecured, settled over normal credit period.	**15,690**	3,693

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, amounts owed by related parties with a nominal value of AED 6.2 million (2014: Nil) were impaired and fully provided for. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Other transactions:

(i) During the period, capital expenditure incurred by an associate of the majority shareholder on behalf of the Group was transferred to the Group amounting to AED 108 million.

(ii) During the period, the Company entered into a sale and repurchase agreement with MDC for the repurchase of a portion of mandatory convertible bonds (MCB-1B) with a carrying amount of AED 795.9 million at a repurchase price of AED 1,000 million (note 25).

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29 RELATED PARTY TRANSACTIONS AND BALANCES *continued*

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

	2015 ***AED '000***	*2014* *AED '000*
Short-term benefits	**6,204**	5,540
Employees' end of service benefits	**103**	147
	6,307	5,687
Number of key management personnel	**4**	4

30 CONTINGENCIES

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

	2015 ***AED '000***	*2014* *AED '000*
Performance guarantees	**125,850**	127,420
Advance payment guarantees	**1,923**	2,030
Financial guarantees	**2,586**	2,586
	130,359	132,036

The Company's share of contingencies of associates as of 31 December 2015 amounted AED 8.3 million (2014: AED 6 million). The Company expects no outflow of economic resources and accordingly no provision has been made in the consolidated financial statements.

31 COMMITMENTS

Capital commitments
The authorised capital expenditure contracted for at 31 December 2015 but not provided for amounted to AED 334.8 million (2014: AED 302 million). The Company's share of authorised future capital expenditure of associates and joint ventures at 31 December 2015 amounted to AED 114.9 million (2014: AED 102 million).

Operating lease commitments - lessor
The Company enters into cooling service agreements with its customers for the provision of chilled water. Some of these agreements qualify to be classified as a lease based on IFRIC 4 and are accounted for as an operating lease based on IAS 17 as the Company does not transfer substantially all the risks and rewards of ownership of the asset to the customer.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31 COMMITMENTS continued

Operating lease commitments – lessor continued
These non-cancellable leases have remaining terms of between 15 and 30 years. All leases include a clause to enable upward revision of the rental charge on a periodic basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2015 ***AED '000***	*2014* *AED '000*
Within one year	**132,366**	129,134
After one year but not more than five years	**698,655**	703,536
More than five years	**3,386,098**	1,373,543
	4,217,119	2,206,213

Included in operating lease commitments is an amount of AED 3,170 million relating to an associate of a majority shareholder, a related party (2014: AED 977 million).

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans and borrowings, obligations under finance lease, mandatory convertible bond - liability component, trade payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity. The Group has various financial assets such as finance lease receivables, trade receivables, due from related parties and cash and term deposits, which arise directly from its operations.

The Group enters into derivative transactions to manage the interest rate risk arising from the Group's sources of finance. It is, and has been throughout 2015 and 2014 the Group's policy that no trading in derivatives shall be undertaken.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise the following types of risk: interest rate risk and currency risk.

Financial instruments affected by market risk include loans and borrowings, deposits, finance lease receivables, finance lease liability and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2015 and 2014.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2015 and 2014.

National Central Cooling Company PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Market risk continued

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives instruments.
- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2015 and 2014 including the effect of hedge accounting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash flow exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations and deposits with floating interest rates.

To manage the cash flow risk relating to its variable interest borrowings, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2015, after taking into account the effect of interest rate swaps, approximately 37% of the Group's borrowings are at a fixed rate of interest (2014: 32%).

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit for one year (through the impact on term deposits and un hedged portion of loans and borrowings).

	Effect on profit AED '000
2015	
+100 increase in basis points	**(14,387)**
-100 decrease in basis points	**14,387**
2014	
+100 increase in basis points	(7,594)
-100 decrease in basis points	7,594

The impact on equity relating to derivatives designated as effective cash flow hedges could not be determined in the absence of information from counter party banks.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The majority of transactions and balances are in either UAE Dirham or US Dollar or currencies that are pegged to US Dollar. As the UAE Dirham is pegged to the US Dollar, balances in US Dollar are not considered to represent significant foreign currency risk.

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32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables, amounts due from related parties and finance lease receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure relating to trade receivables and finance lease receivables is the carrying amount as disclosed in notes 17 and 16. The Group's three largest customers, including a related party, account for approximately 46% of outstanding trade and related party receivable balances at 31 December 2015 (2014: 3 customers - 61%). Amounts due in respect of finance lease receivables are from four customers (2014: three customers).

With respect to credit risk arising from other financial assets of the Group, which comprise cash and term deposits and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group seeks to limit its credit risk to banks by only dealing with reputable banks.

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash flow model. This tool considers the maturity of its financial assets (accounts receivable, finance lease receivables and other financial assets) and projected cash outflows from operations and capital projects.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015 based on undiscounted payments and current market interest rates.

	On demand AED'000	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 Years AED'000*	*>5 years AED'000*	*Total AED'000*
At 31 December 2015						
Mandatory convertible bond	-	**21,610**	**64,833**	**194,498**	-	**280,941**
Interest bearing loans and borrowings	-	**30,827**	**304,273**	**1,434,454**	**1,958,035**	**3,727,589**
Obligations under finance leases	-	**1,937**	**5,812**	**12,254**	-	**20,003**
Accounts and retention payable, due to related parties and other financial liabilities	-	**160,064**	**225,546**	-	-	**385,610**
	-	**214,438**	**600,464**	**1,641,206**	**1,958,035**	**4,414,143**
At 31 December 2014						
Mandatory convertible bond	-	30,147	90,441	391,911	-	512,499
Interest bearing loans and borrowings	-	12,561	213,438	1,277,628	1,168,085	2,671,712
Obligations under finance leases	-	1,937	5,812	20,003	-	27,752
Accounts and retention payable, due to related parties and other financial liabilities	-	145,553	240,057	-	-	385,610
	-	190,198	549,748	1,689,542	1,168,085	3,597,573

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32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, mandatory convertible bond – liability component, obligations under finance lease, less cash and term deposits. Capital includes total equity excluding non-controlling interests less cumulative changes in fair value of derivatives.

	2015 AED '000	*2014 AED '000*
Interest bearing loans and borrowings	**2,997,307**	2,173,606
Mandatory convertible bond and – liability component	**258,817**	464,648
Obligation under finance lease	**17,684**	23,446
	3,273,808	2,661,700
Less: cash and term deposits	**(176,969)**	(417,932)
Net debt	**3,096,839**	2,243,768
Equity attributable to equity holders of the parent	**4,160,367**	4,860,596
Adjustment for cumulative changes in fair values of derivatives	**32,119**	54,385
Total capital	**4,192,486**	4,914,981
Capital and net debt	**7,289,325**	7,158,749
Gearing ratio	**42%**	31%

33 FAIR VALUE MEASUREMENT

33.1 Fair values of financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date except for finance lease receivables, mandatory convertible bond, fixed rate loan and obligations under finance lease with fixed interest rates. Set out below is a comparison of carrying amounts and fair values of such instruments:

	Carrying Amount		*Fair Value*	
	2015 AED '000	*2014 AED '000*	***2015 AED '000***	*2014 AED '000*
Financial assets				
Finance lease receivables	**2,963,096**	2,982,275	**3,273,998**	3,279,680
Financial liabilities				
Obligations under finance lease	**17,684**	23,446	**19,999**	27,337
Mandatory convertible bond – liability component	**258,817**	464,648	**262,311**	420,603

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33 FAIR VALUE MEASUREMENT continued

33.2 Fair value hierarchy
As at 31 December 2015 and 2014, the fair value measurement hierarchy of the Group's assets and liabilities is as follows:

	Date of valuation	2015				2014			
		31 December 2015 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	31 December 2014 AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Liabilities measured at fair value									
Interest rate swaps		**2,894**	**-**	**2,894**	**-**	27,490	-	27,490	-
Assets for which fair values are disclosed									
Finance lease receivables		**3,273,998**	**-**	**-**	**3,273,998**	3,279,680	-	-	3,279,68O
Liabilities for which fair values are disclosed									
Obligations under finance lease		**19,999**	**-**	**-**	**19,999**	27,337	-	-	27,337
Mandatory convertible bond – liability component		**262,311**	**-**	**-**	**262,311**	420,603	-	-	420,603
		282,310	**-**	**-**	**282,310**	447,940	-	-	447,940

During the reporting years ended 31 December 2015 and 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values for assets and liabilities measured at fair value:

- Asset held for sale (land) were valued based on an evaluation performed by an accredited external, independent valuer, applying a valuation model, recommended by the International Valuation Standards Committee.

- The Group enters into derivative financial instruments with various banks and financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are interest rate swaps. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate curves and forward rate curves of the underlying commodity.

33.3 Hedging activities

Cash flow hedges
The Group is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33 FAIR VALUE MEASUREMENT continued

33.3 Hedging activities continued

In order to reduce its exposure to interest rate fluctuations on the interest bearing loans and borrowings the Company has entered into interest rate swaps with counter-party banks designated as effective cash flow hedges for notional amounts that mirror the drawdown and repayment schedule of the loans. The notional amount of the interest rate swaps was AED 1,546 million as at 31 December 2015 (2014: AED 1,205 million).

A schedule indicating the maturity profile of the derivative related assets and liabilities as at 31 December is as follows:

	Within 1 year AED '000	*1-3 years AED '000*	*Total AED '000*
2015			
Cash inflows (assets)	**26,095**	**35,074**	**61,169**
Cash outflows (liabilities)	**(33,448)**	**(34,602)**	**(68,050)**
Net cash outflow	**(7,353)**	**472**	**(6,881)**
2014:			
Cash inflows (assets)	11,358	41,910	53,268
Cash outflows (liabilities)	(30,948)	(50,771)	(81,719)
Net cash outflow	(19,590)	(8,861)	(28,451)

All derivative contracts are with counterparty banks in UAE.

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