National Central Cooling Company PJSC

INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

31 MARCH 2011 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL CENTRAL COOLING COMPANY PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") as at 31 March 2011, comprising of the interim consolidated statement of financial position as at 31 March 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period ended 31 March 2011 and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

Date
Abu Dhabi

INTERIM CONSOLIDATED INCOME STATEMENT

Three month period ended 31 March 2011 (Unaudited)

	Notes	***Three month period ended 31 March 2011 AED '000***	*Three month period ended 31 March 2010 AED '000 Restated*
Revenues	3	**245,614**	199,683
Operating costs	3	**(143,634)**	(115,270)
GROSS PROFIT		**101,980**	84,413
Administrative and other expenses		**(37,593)**	(42,797)
OPERATING PROFIT		**64,387**	41,616
Finance costs	3	**(78,074)**	(32,889)
Interest income	3	**888**	258
Other income and changes in fair value of derivative liability	3	**35,164**	18,642
Share of results of associates	3	**10,090**	15,277
Share of results of joint ventures	3	**296**	937
PROFIT FOR THE PERIOD		**32,751**	43,841
Attributable to:			
Ordinary equity holders of the parent		**31,891**	40,438
Non-controlling interests		**860**	3,403
		32,751	43,841
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	**0.08**	0.11

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three month period ended 31 March 2011 (Unaudited)

	Three month period ended 31 March 2011 AED'000	*Three month period ended 31 March 2010 AED '000*
PROFIT FOR THE PERIOD	**32,751**	43,841
Other comprehensive income		
Changes in fair value of derivatives in cash flow hedges	**10,820**	2,466
Share of changes in fair value of derivatives of associate in cash flow hedges	**2,384**	(11)
Changes in fair value of available for sale investments	-	36
Exchange differences arising on translation of overseas operations	**(86)**	(7)
Other comprehensive income for the period	**13,118**	2,484
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**45,869**	46,325
Attributable to:		
Ordinary equity holders of the parent	**45,009**	42,922
Non-controlling interests	**860**	3,403
	45,869	46,325

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2011 (Unaudited)

	Notes	*31 March 2011 AED '000*	*(Audited) 31 December 2010 AED '000*
ASSETS			
Non-current assets			
Capital work in progress	5	**952,338**	932,045
Property, plant and equipment		**4,456,401**	4,401,521
Intangible assets		**37,598**	37,598
Investments in associates		**309,901**	298,041
Investments in joint ventures		**5,500**	3,142
Loans to associate and joint venture		**72,207**	72,207
Finance lease receivables		**1,195,697**	1,194,607
		7,029,642	6,939,161
Current assets			
Inventories		**32,791**	35,796
Accounts receivable and prepayments		**829,616**	723,894
Loan to an associate		**9,781**	9,781
Finance lease receivables		**81,827**	81,888
Contract work in progress		**71,056**	40,704
Cash and short term deposits		**433,642**	361,815
		1,458,713	1,253,878
TOTAL ASSETS		**8,488,355**	8,193,039
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital		**243,380**	243,380
Treasury shares		**(2,016)**	(2,016)
Statutory reserve		**61,115**	61,115
Accumulated losses		**(972,917)**	(1,004,808)
Foreign currency translation reserve		**(2,396)**	(2,310)
Cumulative changes in fair value of derivatives and available for sale investments		**(58,072)**	(71,276)
Mandatory convertible bond – equity component		**1,301,679**	1,301,679
Capital reduction reserve		**961,966**	961,966
		1,532,739	1,487,730
Non - controlling interests		**95,365**	94,505
Total equity		**1,628,104**	1,582,235
Non-current liabilities			
Accounts payable and accruals		**19,051**	65,624
Interest bearing loans and borrowings	6	**2,185,113**	-
Islamic financing arrangements	6	**527,970**	-
Obligations under finance lease		**33,451**	34,403
Employees' end of service benefits		**15,554**	14,971
		2,781,139	114,998
Current liabilities			
Bank overdraft		-	53,717
Accounts payable and accruals		**983,135**	1,045,696
Advances		**400,000**	400,000
Interest bearing loans and borrowings	6	**1,700,518**	2,406,091
Islamic financing arrangements	6	**729,840**	2,320,683
Mandatory convertible bond – liability component		**258,255**	262,255
Obligations under finance lease		**7,364**	7,364
		4,079,112	6,495,806
Total liabilities		**6,860,251**	6,610,804
TOTAL EQUITY AND LIABILITIES		**8,488,355**	8,193,039

Khadem Abdulla Al Qubaisi	Sujit S. Parhar
CHAIRMAN	CHIEF EXECUTIVE OFFICER

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2011 (Unaudited)

	Attributable to equity holders of the parent										
	Issued capital AED '000	*Treasury shares AED '000*	*Statutory reserve AED '000*	*Accumulated Losses AED '000*	*Foreign currency translation reserve AED '000*	*Cumulative changes in fair value of derivatives and available for sale investments AED '000*	*Mandatory convertible bond - equity component AED '000*	*Capital reduction reserve AED '000*	*Total AED '000*	*Non-controlling interests AED '000*	*Total equity AED '000*
Balance at 1 January 2010	1,213,380	(10,050)	47,433	(1,045,766)	(692)	(77,703)	1,301,679	-	1,428,281	18,385	1,446,666
Profit for the period	-	-	-	40,438	-	-	-	-	40,438	3,403	43,841
Other comprehensive income for the period	-	-	-	-	(7)	2,491	-	-	2,484	-	2,484
Total comprehensive income for the period	-	-	-	40,438	(7)	2,491	-	-	42,922	3,403	46,325
Balance at 31 March 2010	1,213,380	(10,050)	47,433	(1,005,328)	(699)	(75,212)	1,301,679	-	1,471,203	21,788	1,492,991
Balance at 1 January 2011	243,380	(2,016)	61,115	(1,004,808)	(2,310)	(71,276)	1,301,679	961,966	1,487,730	94,505	1,582,235
Profit for the period	-	-	-	31,891	-	-	-	-	31,891	860	32,751
Other comprehensive income for the period	-	-	-	-	(86)	13,204	-	-	13,118	-	13,118
Total comprehensive income for the period	-	-	-	31,891	(86)	13,204	-	-	45,009	860	45,869
Balance at 31 March 2011	**243,380**	**(2,016)**	**61,115**	**(972,917)**	**(2,396)**	**(58,072)**	**1,301,679**	**961,966**	**1,532,739**	**95,365**	**1,628,104**

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
Three month period ended 31 March 2011 (Unaudited)

	Note	***Three month period ended 31 March 2011 AED '000***	*Three month period ended 31 March 2010 AED '000 Restated*
OPERATING ACTIVITIES			
Profit for the period		**32,751**	43,841
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		**30,187**	26,413
Finance income relating to finance lease receivable		**(22,280)**	(1,669)
Share of results of associates		**(9,476)**	(15,058)
Share of results of joint ventures		**(296)**	(937)
Net movement in employees' end of service benefits		**583**	760
Interest income		**(888)**	(258)
Finance costs		**78,074**	32,889
Other income and changes in fair value of derivative liability		**(5,900)**	(16,600)
		102,755	69,381
Working capital adjustments:			
Inventories		**3,005**	29
Trade and other receivables and prepayments		**(107,784)**	(36,641)
Contract work in progress		**(30,352)**	304
Accounts payable and accruals		**42,280**	(54,972)
Lease rental received		**21,251**	658
Net cash flows from (used in) operating activities		**31,155**	(21,241)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,175)**	(29,970)
Additions to capital work in progress		**(250,485)**	(383,007)
Interest received		**888**	258
Net cash flows used in investing activities		**(250,772)**	(412,719)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		**446,710**	550,000
Islamic financing arrangement repaid		**-**	(20,000)
Islamic financing arrangement received		**52,801**	-
Payment for obligations under finance lease		**(952)**	(867)
Interest paid		**(153,398)**	(58,282)
Net cash flows from financing activities		**345,161**	470,851
INCREASE IN CASH AND CASH EQUIVALENTS		**125,544**	36,891
Cash and cash equivalents at 1 January		**308,098**	252,582
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	**433,642**	289,473

The attached notes 1 to 10 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

National Central Cooling Company PJSC (the "Company") is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended). The principal activities of the Company are to construct, own, assemble, install, operate and maintain cooling and air conditioning systems. In addition, the Company's activities include the distribution and sale of chilled water for use in district cooling technologies. The Company's registered office is located at P.O. Box 32444, Dubai, United Arab Emirates.

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

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

As of 31 March 2011, the Group's current liabilities exceeded its current assets by AED 2,620 million and its accumulated losses of AED 972 million amounted to 400 % of its issued share capital.

The above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis based on the following mitigating factors:

1. On 1 April 2011 the Group announced it has secured up to AED 3.1 billion of new, committed long term capital from Mubadala Development Company PJSC to ensure the company has a robust and sustainable capital structure.
2. AED 1.7 billion of this is in the form of a Mandatory Convertible Bond which repaid the AED 1.7 billion Interest bearing loans in current liabilities on 1 April 2011.
3. Expected profitability and operating cash flows in the year ending 31 December 2011, together with the long term capital (1) above, is expected to cover funding requirement relating to anticipated capital expenditure and financing obligations up to 31 December 2011.
4. Subject to approval by Emirates Securities and Commodity Authority, Tabreed has agreed the early repurchase of its AED 1.7 billion Trust Certificates and settlement of the associated coupon payable amounting to AED 246.5 million.

Given the completion of the recapitalization The Group's Management and Board of Directors are confident that the capital structure of The Group ensures the long term stability of the business.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

2.2 BASIS OF PREPARATION

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

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

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2010. In addition, results for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.3 SIGNIFICANT ACCOUNTING POLICIES

As a result of a voluntary change in accounting policy for accounting treatment relating to joint ventures from proportionate consolidation to equity accounting method, the following adjustments were made to the comparative numbers for the 31 March 2010:

	Three months ended 31 March 2010 As previously Reported (Note 1) AED '000	*Effect of change in accounting policy AED '000*	*Three months ended March 2010 As restated AED '000*
Consolidated income statement			
Revenues	206,694	(7,011)	199,683
Operating cost	121,230	(5,960)	115,270
Administrative and other expenses	42,912	(115)	42,797
Interest income	259	(1)	258
Share of results of joint ventures	-	937	937

The above change in accounting policy did not have an effect on the reported profit for the period ended 31 March 2010 and therefore did not impact the earnings per share.

Note 1: Adjusted for reclassifications (note 9)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the following new standards and interpretations as of 1 January 2011, noted below:

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidation and Separate Financial Statements
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

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

3 SEGMENT INFORMATION

For management purposes, the Group is organised into four operating segments based on their products and services, as follows:

- The 'chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'contracting' segment is involved in construction of air conditioning chilled water central plants and networks for new or existing buildings.
- The 'manufacturing' segment is engaged in production of pre-insulated piping systems for chilled and hot water, gas and other energy related applications and provision of pipe protection services.
- The 'services' segment is involved in design and supervision of electrical, mechanical coding and sanitary engineering works.

Operating segments which have similar economic characteristics are aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the interim condensed consolidated financial statements. However, Group financing (including finance costs, interest income, and changes in fair value of derivatives) is managed on a group basis and is not allocated to operating segments.

	Chilled water AED '000	*Contracting AED '000*	*Manufacturing AED'000*	*Services AED'000*	*Eliminations AED'000*	*Total AED'000*
Period ended 31 March 2011:						
Revenue						
External revenue	**183,577**	**32,842**	**17,480**	**11,715**	**-**	**245,614**
Inter–segment revenue	**-**	**31,246**	**-**	**1,581**	**(32,827)**	**-**
Total revenue	**183,577**	**64,088**	**17,480**	**13,296**	**(32,827)**	**245,614**
Operating costs	**(96,841)**	**(61,259)**	**(12,803)**	**(5,508)**	**32,777**	**(143,634)**
Gross profit	**86,736**	**2,829**	**4,677**	**7,788**	**(50)**	**101,980**
Results						
Segment results	**56,660**	**1,611**	**2,234**	**3,541**	**341**	**64,387**
Finance costs	**-**	**-**	**-**	**-**	**-**	**(78,074)**
Other income and changes in fair value of derivative liability	**-**	**-**	**-**	**-**	**-**	**35,164**
Interest income	-	-	-	-	-	**888**
Share of results of associates	**10,090**	-	-	-	-	**10,090**
Share of results of joint ventures	**296**	-	-	-	-	**296**
Profit for the period						**32,751**

3 SEGMENT INFORMATION continued

	Chilled water AED '000	*Contracting AED '000*	*Manufacturing AED'000*	*Services AED'000*	*Eliminations AED'000*	*Total AED'000*
Period ended 31 March 2010:						
Revenue						
External revenue (restated)	139,137	29,046	15,641	15,859	-	199,683
Inter–segment revenue	-	2,929	7,041	1,568	(11,538)	-
Total revenue	139,137	31,975	22,682	17,427	(11,538)	199,683
Operating costs	(88,280)	(20,486)	(15,044)	(2,414)	10,954	(115,270)
Gross profit	50,857	11,489	7,638	15,013	(584)	84,413
Results						
Segment results	21,128	9,591	5,658	5,815	(576)	41,616
Finance costs	-	-	-	-	-	(32,889)
Other income and changes in fair value of derivative liability	-	-	-	-	-	18,642
Interest income	-	-	-	-	-	258
Share of results of associates	15,277	-	-	-	-	15,277
Share of results of joint venture	937	-	-	-	-	937
Profit for the period						43,841

Intersegment revenues are eliminated on consolidation.

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

Basic and diluted earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond.

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

	Three month period ended 31 March 2011	*Three month period ended 31 March 2010 Restated*
Profit for the period attributable to ordinary equity holders of the parent for basic and diluted earnings (*AED '000*)	**31,891**	40,438
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	**241,364**	241,364
Effect of convertible bond ('000)	**135,312**	135,312
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bond ('000)	**376,676**	376,676
Basic and diluted earnings per share *(AED)*	**0.08**	0.11

Basic and diluted earnings per share has been calculated on the basis of maximum number of shares (adjusting for capital reduction) that may be issued for mandatory convertible bond.

The weighted average number of ordinary shares outstanding for the period ended 31 March 2010 has been adjusted for the effect of reduction in share capital during the year 2010.

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

The weighted average number of ordinary shares outstanding for the period ending 30 June 2011 and onwards will be adjusted for the effect of shares that will be issued on conversion of mandatory convertible bond of AED 1.7 billion issued to Mubadala Development Company PJSC (note 10) and shares to be issued to early repurchase the Company's AED 1.7 billion Trust Certificates and settlement of the associated coupon payable amounting to AED 246.5 million subject to approval of Securities and Commodity Authority (note 2.1).

5 CAPITAL WORK IN PROGRESS

During the three month period ended 31 March 2011 the Group has incurred expenditure of AED 192 million (31 March 2010: AED 150 million) primarily relating to construction of district cooling plants. Included in the additions to capital work in progress are capitalised finance costs amounting to AED 4.2 million (31 March 2010: AED 31.5 million).

6 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

As of 31 March 2011, the existing lenders of the Company unanimously approved the agreement to refinance AED 2.6 billion of existing liabilities and to extend new AED 150 million revolving facility to the Company.

Refinancing of the existing loans is made in form of term loan facilities A and B comprising of five individual conventional and Islamic tranches, with total amount of AED 1 billion and AED 1.6 billion respectively.

Subject to accelerated repayments provisions, the facility A is repayable in 13 equal monthly instalments, commencing from 31 March 2013 with last instalment due on 31 March 2019, and carries an interest rate of EIBOR plus a margin. Facility B is repayable in bullet payment on 31 March 2019, and carries an interest rate of EIBOR plus a margin.

The Company is liable to make accelerated repayments of the term facilities under the refinancing agreement, subject to availability of cash at the applicable date.

Revolving facility of AED 150 million can be utilised in the form of drawing of cash advances up to an amount of AED 75 million and issuance of documentary credits of the remaining balance, out of which an amount of AED nil has been drawn by the Company during the period. Revolving facility carries interest at EIBOR plus a margin and is repayable on 31 March 2019 with an annual clean down to no more than AED 5 million of cash advances made.

Interest on above facilities is payable in cash on six monthly basis. The facilities are secured against plants equipment and trade debtors.

7 COMMITMENTS AND CONTINGENCIES

Commitments
The authorised capital expenditure contracted for at 31 March 2011 but not provided for amounted to AED 490 million (31 December 2010: AED 606 million).

7 COMMITMENTS AND CONTINGENCIES continued

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

	At 31 March 2011 AED '000	*At 31 December 2010 AED '000*
Performance guarantees	**110,597**	112,182
Advance payment guarantees	**13,025**	13,705
Financial guarantees	**10,732**	9,982
	134,354	135,869

8 BANK BALANCES AND CASH

Geographical concentration of bank balances and cash is as follows:

	At 31 March 2011 AED '000	*At 31 March 2010 AED '000*
Within UAE	**395,520**	243,029
Outside UAE	**38,122**	46,444
	433,642	289,473

9 COMPARATIVE INFORMATION

Certain comparative figures were reclassified to conform with the current period presentation. Such reclassifications as discussed below have no effect on the results or the equity of the Group.

Consolidated income statement

- Revenues of AED 22 million and corresponding operating costs of AED 25 million for the period ended 31 March 2010 relating to cooling service agreement with a related party which was previously reported on net basis under 'administrative and other expenses' have been reclassified and are now shown separately in revenues and operating costs respectively.

10 SUBSEQUENT EVENTS

On 1 April 2011 the Group announced it has secured up to AED 3.1 billion of new, committed long term capital from Mubadala Development Company PJSC to ensure the company has a robust and sustainable capital structure. AED 1.7 billion of this will repay the short term financing in current liabilities and a further up to AED 1.4 billion will be available to fund the business through the end of 2012.