

NATIONAL CENTRAL COOLING COMPANY PJSC

Review report and condensed consolidated
interim financial information
for the six-month period ended
30 June 2020

NATIONAL CENTRAL COOLING COMPANY PJSC

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Review report on condensed consolidated interim financial information to the Board of Directors of National Central Cooling Company PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Central Cooling Company PJSC and its subsidiaries (the 'Group') as at 30 June 2020 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods then ended, and condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
23 July 2020

Rami Sarhan
Registered Auditor Number 1152
Abu Dhabi, United Arab Emirate

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Douglas O'Mahony, Rami Sarhan, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of profit or loss (unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Revenues	5	415,656	375,166	710,015	671,935
Direct costs	5	(214,550)	(186,895)	(345,724)	(321,930)
Gross profit		201,106	188,271	364,291	350,005
Administrative and other expenses	5	(53,367)	(52,813)	(111,756)	(104,943)
Operating profit		147,739	135,458	252,535	245,062
Finance costs	15	(52,139)	(45,833)	(94,973)	(91,242)
Finance income	5	166	416	673	1,194
Impairment provision for trade receivables		(9,600)	-	(19,700)	-
Other gains and losses	5	56,198	9,386	67,759	9,651
Share of results of associates and joint ventures, net	5	3,785	24,676	23,367	40,220
Profit for the period		146,149	124,103	229,661	204,885
Attributable to:					
Equity holders of the parent		142,081	119,330	224,298	199,363
Non-controlling interests		4,068	4,773	5,363	5,522
		146,149	124,103	229,661	204,885
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	6	0.05	0.04	0.08	0.07

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of comprehensive income (unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Profit for the period	146,149	124,103	229,661	204,885
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement in fair value of derivatives in cash flow hedges	(17,232)	(3,764)	(22,703)	(6,300)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	(5,927)	(10,277)	(40,089)	(17,369)
Exchange differences arising on translation of overseas operations	-	262	(4)	214
	(23,159)	(13,779)	(62,796)	(23,455)
Total comprehensive income for the period	122,990	110,324	166,865	181,430
Attributable to:				
Equity holders of the parent	118,922	105,551	161,502	175,908
Non-controlling interest	4,068	4,773	5,363	5,522
	122,990	110,324	166,865	181,430


The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of financial position

		As at	
		30 June 2020 (unaudited) AED '000	31 December 2019 (audited) AED '000
ASSETS	Note		
Non-current assets			
Capital work in progress	8	276,548	66,956
Property, plant and equipment		4,460,228	3,940,360
Right-of-use asset		126,527	136,267
Intangible assets	9	2,340,162	28,527
Investment in associates and joint ventures	10	704,844	605,708
Advance towards investment in an associate	10	-	126,274
Finance lease receivables	11	2,844,282	2,836,547
		<u>10,752,591</u>	<u>7,740,639</u>
Current assets			
Inventories		42,567	34,673
Trade and other receivables		755,611	593,424
Finance lease receivables	11	321,207	307,984
Cash and bank balances	12	310,552	226,902
		<u>1,429,937</u>	<u>1,162,983</u>
TOTAL ASSETS		<u>12,182,528</u>	<u>8,903,622</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital		2,715,529	2,715,529
Treasury shares		(2,016)	(2,016)
Statutory reserve		358,466	358,466
Retained earnings		1,862,416	1,923,249
Foreign currency translation reserve		(1,690)	(1,686)
Cumulative changes in fair value of derivatives in cash flow hedges		(111,345)	(48,553)
Equity attributable to the equity holders of the parent		<u>4,821,360</u>	<u>4,944,989</u>
Non – controlling interests		695,592	70,666
Total equity		<u>5,516,952</u>	<u>5,015,655</u>
Non-current liabilities			
Trade and other payables		95,261	95,261
Interest bearing loans and borrowings	13	3,578,555	870,477
Non-convertible Sukuk	14	1,829,400	1,828,843
Lease liabilities		232,614	247,495
Provision for employees' end of service benefits		33,632	31,390
		<u>5,769,462</u>	<u>3,073,466</u>
Current liabilities			
Trade and other payables		702,441	620,013
Interest bearing loans and borrowings	13	148,261	147,234
Lease liabilities		45,412	47,254
		<u>896,114</u>	<u>814,501</u>
Total liabilities		<u>6,665,576</u>	<u>3,887,967</u>
TOTAL EQUITY AND LIABILITIES		<u>12,182,528</u>	<u>8,903,622</u>

To the best of our knowledge, the condensed consolidated interim financial information are prepared, in all material respects, in accordance with IAS 34.



Khaled Abdulla Al Qubaisi
Chairman



Bader Al Lamki
Chief Executive Officer



Adel AlWahedi
Chief Financial Officer

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of changes in equity

Attributable to owners 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	Other reserve AED '000	Total AED '000	Non – controlling interests AED '000	Total equity AED '000
Balance at 1 January 2019	2,715,529	(2,016)	316,867	955,960	(2,368)	(20,886)	706,920	4,670,006	67,462	4,737,468
Effect of changes in accounting policy for IFRS 16	-	-	-	87,290	-	-	-	87,290	-	87,290
Balance at 1 January 2019 (restated)	2,715,529	(2,016)	316,867	1,043,250	(2,368)	(20,886)	706,920	4,757,296	67,462	4,824,758
Profit for the period	-	-	-	199,363	-	-	-	199,363	5,522	204,885
Other comprehensive income for the period	-	-	-	-	214	(23,669)	-	(23,455)	-	(23,455)
Total comprehensive income for the period	-	-	-	199,363	214	(23,669)	-	175,908	5,522	181,430
Dividend paid to shareholders (note 18)	-	-	-	(257,975)	-	-	-	(257,975)	-	(257,975)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(976)	(976)
Balance at 30 June 2019 (unaudited)	2,715,529	(2,016)	316,867	984,638	(2,154)	(44,555)	706,920	4,675,229	72,008	4,747,237
Balance at 1 January 2020	2,715,529	(2,016)	358,466	1,923,249	(1,686)	(48,553)	-	4,944,989	70,666	5,015,655
Profit for the period	-	-	-	224,298	-	-	-	224,298	5,363	229,661
Other comprehensive income for the period	-	-	-	-	(4)	(62,792)	-	(62,796)	-	(62,796)
Total comprehensive income for the period	-	-	-	224,298	(4)	(62,792)	-	161,502	5,363	166,865
Dividend paid to shareholders (note 18)	-	-	-	(285,131)	-	-	-	(285,131)	-	(285,131)
Non-controlling interest on acquisition of a subsidiary (note 7)	-	-	-	-	-	-	-	-	619,953	619,953
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(390)	(390)
Balance at 30 June 2020 (unaudited)	2,715,529	(2,016)	358,466	1,862,416	(1,690)	(111,345)	-	4,821,360	695,592	5,516,952

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of cash flows (unaudited)

	Notes	Six months ended 30 June	
		2020 AED '000	2019 AED '000
OPERATING ACTIVITIES			
Profit for the period		229,661	204,885
Non-cash adjustments:			
Depreciation of property, plant and equipment and right-of-use assets		90,953	91,622
Amortisation of intangible assets		10,595	-
Finance lease income		(101,480)	(128,600)
Share of results of associates and joint ventures, net	5	(23,367)	(40,220)
Net movement in employees' end of service benefits		2,242	2,040
Finance income	5	(673)	(1,194)
Finance costs	15	94,973	91,242
Other gains and losses		(48,059)	(9,651)
Operating cash flows before changes in working capital		254,845	210,124
Working capital changes:			
Inventories		(5,530)	(211)
Trade receivables and receivables		(131,059)	(40,935)
Trade and other payables		29,721	22,626
Lease rentals received	11	162,246	157,875
Net cash flows generated from operating activities		310,223	349,479
INVESTING ACTIVITIES			
Payment for acquisition of shares in a subsidiary		(2,479,920)	-
Purchase of property, plant and equipment		(4,184)	(6,145)
Payments for capital work in progress		(60,803)	(32,102)
Dividends from associates and joint ventures	10	8,119	13,426
Interest received		600	1,315
Net cash flows used in investing activities		(2,536,188)	(23,506)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		2,776,101	95,000
Interest bearing loans and borrowings repaid		(70,232)	(103,857)
Interest paid		(85,825)	(79,265)
Principal elements of lease payments		(24,908)	(26,531)
Dividends paid to shareholders	18	(285,131)	(257,975)
Dividends paid to non-controlling interests		(390)	(976)
Net cash flows generated/(used in) financing activities		2,309,615	(373,604)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		83,650	(47,631)
Cash and cash equivalents at 1 January		226,902	248,946
CASH AND CASH EQUIVALENTS AT 30 JUNE	12	310,552	201,315

The accompanying notes on pages 7 to 21 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020

1 General information

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

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

The Group's non-convertible sukuk is listed in the London Stock Exchange (Note 14).

The Group does not have any exposure to Abraaj Group and/or any of the funds managed by Abraaj Group.

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

2.1 New and revised IFRS effective for accounting periods beginning on or after 1 January 2020

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods.

- Definition of Material – amendments to IAS 1 and IAS 8 - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material.
- Definition of a Business – amendments to IFRS 3 - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. This has no impact on the Group's financial statements.
- Interest Rate Benchmark Reform – amendments to IFRS 9 and IFRS 7 - The United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and possibly accounting for certain financial instruments. At this early stage, the Group is in the process of discussing with the relevant counter-parties (banks) the arrangements regarding the new benchmark for their hedged contracts. The Group expects to finalise their plan as early as practicable to ensure smooth transition from LIBOR to the new benchmark.

Other than the above, there are no other significant IFRS and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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

2.2 Standards and Interpretations in issue but not yet effective

The Group has not early adopted new and revised IFRS that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Group:	Effective for periods beginning on or after
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these IFRS and amendments will be adopted in the condensed consolidated interim financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3 Summary of significant accounting policies

3.1 Basis of preparation

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

The condensed consolidated interim financial information is prepared under the historical cost basis, except for derivative financial instruments which are measured at fair value.

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

The condensed consolidated interim financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. In addition, results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

3 Summary of significant accounting policies (continued)

3.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and amended standards and additional policy on intangibles due to recognition of customer contracts upon completion of business combination during the period. The implementation of the new accounting standards amendments did not have a significant impact on this condensed consolidated interim financial information. The accounting policies for the comparatives are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

3.2.1 Customer contracts

Customer contracts acquired in the business combination are initially recognised at their fair value at the acquisition date. The valuation technique adopted was the multi-period excess earning method. Subsequent to initial recognition, customer contracts are reported at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation of customer contracts is recognised in profit or loss on a straight-line basis over their estimated useful lives. The estimated useful lives for the customer contracts are 50 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

4 Critical accounting judgements and key sources of estimation uncertainty

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2019 except as given below:

Business combinations

Accounting for the acquisition of a business requires the allocation of the purchase price to various assets and liabilities of the acquired business. For most assets and liabilities, the purchase price allocation is accomplished by recording the asset or liability at its estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires judgment by management and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, the useful lives of customer contracts and other assets and market multiples. The Group's management has used all available information to make these fair value determinations in the recent acquisition of a subsidiary (Note 7).

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

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

Impairment of intangible assets, including goodwill

The Group reviews its assets to assess impairment at least on an annual basis. In determining whether impairment losses should be recorded in the profit or loss, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made - whenever appropriate - where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

COVID 19

The economic fallout of COVID-19 crisis is expected to be significant in the region the Group operates and is rapidly evolving. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. However, due to the nature of the services, the Group provides, there is no direct impact of COVID-19 on the business. The Group is continuously monitoring the indirect impact of the pandemic on the business, operations and its finances, particularly on the usage of chilled water consumption which affects the consumption revenue.

Business continuity planning

The Group is closely monitoring the situation and has invoked crisis management actions to ensure the safety and security of the Group's staff as well as uninterrupted customer service. Alternative working arrangements have been made and administrative staff are currently working remotely.

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Loss ("ECL") based on current and forecasted economic conditions. In order to assess ECL under forecast economic conditions, the Group concluded that such situation is likely to lead to an increase in the Expected Credit Loss (ECL) from trade receivables. This is mainly due to the increase of the counterparty risk (risk of default) from commercial customers. Even though if the quantification of such increase in risk remains very difficult in the current uncertain environment and the absence of sufficient statistical historical data, additional loss allowances of AED 19.7 million have been accounted for in this condensed consolidated interim financial information, based on revised assessments performed. These assumptions will be revisited at each reporting date according to the evolution of the situation and the availability of data allowing better estimation.

Liquidity management

The global market stress brought on by the COVID-19 crisis can negatively affect the liquidity. In this environment, the Group has taken measures to manage liquidity risk until the crisis is over. The Group's credit and treasury department is closely monitoring the cash flows and forecasts.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

5 Segment information

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

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

Segment performance is evaluated based on operating profit or loss and is measured consistently with the Group's operating profit or loss in the condensed consolidated interim financial information.

	Six-month period ended 30 June 2020 (unaudited)				Six-month period ended 30 June 2019 (unaudited)			
	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Eliminations AED'000	Total AED'000
Revenue								
External revenue	681,166	28,849	-	710,015	634,427	37,508	-	671,935
Inter-segment revenue	-	16,763	(16,763)	-	-	12,982	(12,982)	-
Total revenue	681,166	45,612	(16,763)	710,015	634,427	50,490	(12,982)	671,935
Direct costs	(328,603)	(22,248)	5,127	(345,724)	(303,154)	(22,928)	4,152	(321,930)
Gross profit	352,563	23,364	(11,636)	364,291	331,273	27,562	(8,830)	350,005
Administrative and other expenses	(102,229)	(12,674)	3,147	(111,756)	(91,628)	(18,310)	4,995	(104,943)
Operating profit	250,334	10,690	(8,489)	252,535	239,645	9,252	(3,835)	245,062
Finance costs	(94,738)	(235)	-	(94,973)	(90,956)	(286)	-	(91,242)
Finance income	628	45	-	673	1,139	55	-	1,194
Other gains and losses	48,059	-	-	48,059	9,651	-	-	9,651
Share of results of associates and joint ventures	23,367	-	-	23,367	40,220	-	-	40,220
Profit for the period				229,661				204,885

Inter-segment revenues and expenses are eliminated on consolidation.

	30 June 2020			31 December 2019		
	Chilled water AED'000	Value chain business AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Total AED'000
Total assets	12,051,237	131,291	12,182,528	8,766,295	137,327	8,903,622
Total liabilities	6,600,937	64,639	6,665,576	3,820,888	67,079	3,887,967

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

6 Basic and diluted earnings per share attributable to equity holders of the parent

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit for the period attributable to equity holders of the parent for basic and dilutive earnings (AED '000)	142,081	119,330	224,298	199,363
Weighted average number of shares (excluding treasury shares) outstanding during the period ('000) (basic and dilutive)	2,713,513	2,713,513	2,713,513	2,713,513
Basic and dilutive earnings per share (AED)	0.05	0.04	0.08	0.07

7 Business combination

During the period, the Group acquired 80% of the shares of Downtown District Cooling LLC, a cooling services provider in Downtown Dubai, from a Dubai based real estate developer. This acquisition has been accounted for in accordance with IFRS 3 Business Combination.

The initial accounting is based on the management's best estimate of the fair value of the assets and liabilities acquired by the Group and will be finalized within the next 12 months. The finalization of the purchase price allocation may result in a change in the fair value of assets and liabilities acquired, and accordingly a corresponding change in the goodwill. The purchase consideration and the fair value of the identifiable assets and liabilities of Downtown District Cooling Company LLC at the date of acquisition are as follows:

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

7 Business combination (continued)

	AED '000
Purchase consideration	
Cash paid	2,479,947
	2,479,947
Assets	
Land	54,000
Property, plant and equipment (i)	706,085
Intangible assets: customer contracts (ii)	2,243,311
Inventories	2,364
Trade and other receivables (iii)	50,755
Cash and bank balances	27
	3,056,542
Liabilities	
Trade and other payables	(35,561)
	(35,561)
Net identifiable assets acquired	3,020,981
Less: non-controlling interests	(619,953)
Goodwill arising on acquisition	78,919
Net assets acquired	2,479,947

- (i) Property, plant and equipment are recorded at their fair value at the acquisition date. This includes AED 173 million of district cooling plant under construction.
- (ii) Customer contracts are recorded at their fair value at the acquisition date. This represents the expected cash flows from Downtown District Cooling LLC's cooling services agreements discounted at the Group's WACC plus specific risk premium. The valuation technique adopted was multi-period excess earning method. The customer contracts are amortised over 50 years, which represent their estimated remaining useful life.
- (iii) The fair value and the gross contractual amount for trade receivables acquired was AED 50.8 million, with no loss allowance recognised on acquisition.

8 Capital work in progress

During the six-month period ended 30 June 2020, the Group has incurred capital expenditure of AED 46.2 million (30 June 2019: AED 32.5 million) primarily relating to construction of district cooling plants and distribution networks.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

9 Intangible assets

	AED '000 (unaudited)	AED '000 (unaudited)	AED '000 (unaudited)
	Goodwill	Customer contracts	Total
At 1 January 2020	28,527	-	28,527
Acquisition of a subsidiary (note 7)	78,919	2,243,311	2,322,230
Amortisation charge for the period	-	(10,595)	(10,595)
At 30 June 2020	107,446	2,232,716	2,340,162

10 Investment in associates and joint ventures

	At 30 June 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
At 1 January	605,708	579,280
Share of results (note 5)	23,367	99,127
Additions during (i)	126,274	-
Dividends received	(8,119)	(44,225)
Share of changes in fair value of effective cash flow hedges	(40,089)	(19,418)
Adjustments for inter-group transactions	(2,297)	(9,056)
	704,844	605,708

(i) During the period, upon completion of the regulatory approvals, the Group recorded acquisition of 8% additional shares purchased from an existing shareholder of Tabreed District Cooling Company (Saudi), at a price of AED 126.3 million. Accordingly, this amount is transferred from 'Advance towards investment in an associate' to 'investment in associates and joint ventures'. The transaction resulted in an increase in the Group's shareholding in Tabreed District Cooling Company (Saudi) from 20% to 28% in 2020.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2020 (continued)

11 Finance lease receivables

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

	At 30 June 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
At 1 January	3,144,531	2,869,966
Impact of implementation of IFRS 16	-	171,642
At 1 January (restated)	<u>3,144,531</u>	<u>3,041,608</u>
Finance lease receivables recognised during the Period	-	163,783
Finance lease income	117,992	208,120
Lease rentals received	(162,246)	(323,029)
Variable lease payment CPI indexation	(16,512)	54,049
Modification of finance lease (i)	81,724	-
	<u><u>3,165,489</u></u>	<u><u>3,144,531</u></u>

- (i) During the period, the Group signed an amended agreement with a customer updating its pricing and tenure terms. This amendment is considered a substantial modification and resulted in an extinguishment of its existing finance lease receivable of AED 1,238,587 thousand and recognition of a new finance lease receivable of AED 1,320,311 thousand. The resulting difference of AED 81,724 thousand is recorded as a modification gain by the Group under 'other gains and losses' in the condensed consolidated interim statement of profit or loss.

Finance lease receivable is allocated in this condensed consolidated interim statement of financial position as follows:

	At 30 June 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
Current	321,207	307,984
Non-current	2,844,282	2,836,547
	<u><u>3,165,489</u></u>	<u><u>3,144,531</u></u>

12 Cash and cash equivalents

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2020 (continued)

12 Cash and cash equivalents (continued)

	30 June 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)	30 June 2019 AED '000 (unaudited)
Bank balances and cash	288,926	120,646	176,492
Bank deposits	21,626	106,256	24,823
Cash and cash equivalents	310,552	226,902	201,315

Geographical concentration of cash and cash equivalents is as follows:

	30 June 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)	30 June 2019 AED '000 (unaudited)
Within UAE	282,899	196,436	165,396
Outside UAE	27,653	30,466	35,919
	310,552	226,902	201,315

13 Interest bearing loans and borrowings

	Effective interest rate %	30 June 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)
Term loan 1 (i)	LIBOR + margin	916,809	714,676
Term loan 2 (ii)	5.25%	67,311	67,311
Term loan 3 (iii)	EIBOR + margin	161,809	166,114
Term loan 4 (iv)	EIBOR + margin	68,254	69,610
Term loan 5 (v)	LIBOR + margin	2,512,633	-
		3,726,816	1,017,711

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

13 Interest bearing loans and borrowings (continued)

Interest bearing loans and borrowings are presented in the consolidated statement of financial position as follows:

	30 June 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)
Current portion	148,261	147,234
Non-current portion	3,578,555	870,477
	3,726,816	1,017,711

(i) Term loan 1

Facility of US\$ 250 million from the local banks. The facility carries interest rate of LIBOR plus a margin, payable in cash on a quarterly basis. The facility is repayable in 10 fixed semi-annual instalments commencing with a bullet payment of 30% on 31 December 2023.

It is an un-secured facility, ranks pari passu with all other unsecured and unsubordinated liabilities of the Group.

The Group also has a revolving facility of AED 590 million to be utilised in the form of cash withdrawals. The revolving facility carries interest at EIBOR plus a margin and is repayable on 31 December 2023. As of 30 June 2020, the Group has drawn down AED 265 million from the revolving facility. This facility is unsecured.

(ii) Term loan 2

Term loan 2 relates to a subsidiary and represents borrowing with a local commercial bank. This facility is secured against the receivables and commercial charge over Fixed Assets (Plant & Machinery). The loan is repayable in quarterly instalments and maturing in 2028 and carries fixed interest of 5.25% per annum (December 2019: 5.25% per annum).

(iii) Term loan 3

This facility amounting to AED 192.5 million was obtained to finance the construction of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 23 semi-annual instalments commencing on March 2017 with a bullet payment of AED 48.1 million in March 2028.

(iv) Term loan 4

This facility amounting to AED 77.9 million was obtained to finance the acquisition of a new plant. The facility carries interest rate of EIBOR plus a margin, payable in cash on a quarterly basis and is secured against the plant for which facility was obtained. The facility is repayable in 60 quarterly instalments with the last instalment due on 30 June 2031.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2020 (continued)

13 Interest bearing loans and borrowings (continued)

(v) *Term loan 5*

During the period ended 30 June 2020, the Group secured a facility of US\$ 692 million from an international bank to finance the acquisition of a subsidiary. The facility carries interest rate of LIBOR plus a margin, payable in cash on a flexible basis as agreed with the Bank at every interest reset period. The facility is repayable with a 100% bullet payment in March 2025.

It is an un-secured facility, ranks pari passu with all other unsecured and unsubordinated liabilities of the Group.

The Group has complied with all the applicable financial covenants throughout the reporting period.

14 Non-convertible sukuk

In 2018, the Group issued 7-year investment grade Islamic Bonds (Sukuk) of US\$ 500 million which are listed on the London Stock Exchange. The bonds carry a profit rate of 5.5% payable semi-annually. The bonds are repayable on 31 October 2025.

The bonds are stated net of discount and transaction costs incurred in connection with the arrangements, amounting to AED 7.3 million, which are amortised to the condensed consolidated interim statement of profit or loss over the repayment period of the bonds using effective interest rate method.

15 Finance costs

	Six-month period ended	
	30 June	
	2020	2019
	AED '000	AED '000
<i>Interest charged to the condensed consolidated interim statement of profit or loss comprises of:</i>		
Interest on interest bearing loans & sukuk, amortisation and other charges	87,032	82,957
Accretion on lease liabilities	7,941	8,285
	94,973	91,242

16 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 30 June 2020 but not provided for amounted to AED 197.2 million (31 December 2019: AED 148 million) related to capital work in progress (note 8).

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

16 Commitments and contingencies (continued)

Contingencies

	At 30 June 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
Performance guarantees	101,594	100,257
Advance payment guarantees	633	633
Financial guarantees	50	50
	<u>102,277</u>	<u>100,940</u>

Business combination

In December 2019, the Group signed a Share Purchase Agreement (SPA) with Abu Dhabi Future Energy Company PJSC – Masdar to acquire 100% shares of Masdar City Cooling Company Limited for a value of AED 110 million. The transaction is subject to finalisation of other incidental agreements, approval from local government body and transfer of various licenses etc. and will therefore be recorded in the future once all conditions are met.

17 Related party transactions and balances

Related parties represent associated companies, joint ventures, majority shareholder, directors, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the condensed consolidated interim statement of profit or loss are as follows:

	Six-month period ended			
	30 June 2020 (unaudited)		30 June 2019 (unaudited)	
	Revenue AED '000	Direct costs AED '000	Revenue AED '000	Direct costs AED '000
Associated companies	<u>5,561</u>	<u>30,127</u>	<u>2,462</u>	<u>31,706</u>
Joint Venture	<u>2,399</u>	<u>-</u>	<u>2,328</u>	<u>-</u>
Non-controlling interest shareholders	<u>49,892</u>	<u>-</u>	<u>7,416</u>	<u>-</u>

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the six-month period ended 30 June 2020 (continued)

17 Related party transactions and balances (continued)

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

	30 June 2020 (unaudited)	
	Trade and other receivables	Trade and other payables
	AED '000	AED '000
Associated companies	12,762	43,561
Joint venture	2,140	-
Non-controlling interest shareholders	40,448	5,210
	55,350	48,771
	31 December 2019 (audited)	
	Trade and other receivables	Trade and other payables
	AED '000	AED '000
Associated companies	16,787	44,057
Joint venture	2,034	-
Non-controlling interest shareholders	1,664	-
	20,485	44,057

Compensation of key management personnel

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

	Six-month period ended 30 June	
	2020	2019
	AED'000	AED'000
	(unaudited)	(unaudited)
Short-term benefits	3,849	4,228
Employees' end of service benefits	86	121
	3,935	4,349
Number of key management personnel	5	5

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Notes to the condensed consolidated interim financial information for the six-month period ended 30 June 2020 (continued)

18 Dividends and board remuneration

The Board of Directors proposed a cash dividend of 10.5 fils per share to the shareholders in respect of the fiscal year ended 31 December 2019. The shareholders at the Annual General Assembly Meeting held on 15 March 2020 approved the dividend. The dividend amounted to AED 285.1 million and was paid in April 2020.

In 2019, the Board of Directors proposed a cash dividend of 9.5 fils per share to the shareholders in respect of the fiscal year ended 31 December 2018. The shareholders at the Annual General Assembly Meeting held on 6 March 2019 approved the dividend. The dividend amounted to AED 257.9 million and was paid in April 2019.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2019 was also approved at the Annual General Meeting held on 15 March 2020. Board remuneration of AED 7.1 million for the year ended 31 December 2018 was approved at the previous Annual General Meeting held on 6 March 2019.

19 Seasonality of operations

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

20 Fair value measurement

The carrying values of the Group's financial assets and financial liabilities as at 30 June 2020 are not materially different from their fair values as at 31 December 2019.

21 Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information of the Group was authorised for issuance by the Board of Directors on 23 July 2020.