
National Central Cooling Company PJSC

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2011 (UNAUDITED)

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

Introduction

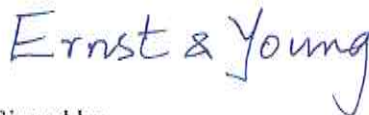
We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") as at 30 September 2011, comprising of the interim consolidated statement of financial position as at 30 September 2011 and the related interim consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related statements of changes in equity and cash flows for the nine month period ended 30 September 2011 and explanatory information. 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

3 November 2011
Abu Dhabi

National Central Cooling Company PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2011 (Unaudited)

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2011 AED '000</i>	<i>2010 AED '000 Restated</i>	<i>2011 AED '000</i>	<i>2010 AED '000 Restated</i>
Revenues	3	309,757	298,220	841,997	763,276
Operating costs	3	(183,958)	(171,700)	(496,874)	(456,664)
GROSS PROFIT		125,799	126,520	345,123	306,612
Administrative and other expenses		(38,355)	(40,080)	(112,930)	(115,797)
OPERATING PROFIT		87,444	86,440	232,193	190,815
Finance costs	3	(45,745)	(54,868)	(177,353)	(125,830)
Interest income	3	629	1,320	2,699	3,079
Other income and changes in fair value of derivative liability	3	902	(1,607)	36,947	24,205
Share of results of associates	3	10,202	5,354	35,005	29,551
Share of results of joint ventures	3	155	(264)	389	1,379
PROFIT FOR THE PERIOD		53,587	36,375	129,880	123,199
Attributable to:					
Ordinary equity holders of the parent		54,113	35,048	129,794	115,736
Non-controlling interests		(526)	1,327	86	7,463
		<u>53,587</u>	<u>36,375</u>	<u>129,880</u>	<u>123,199</u>
Basic earnings per share attributable to ordinary equity holders of the parent (AED)	4	<u>0.02</u>	<u>0.09</u>	<u>0.07</u>	<u>0.31</u>
Diluted earnings per share attributable to ordinary equity holders of the parent (AED)	4	<u>0.02</u>	<u>0.09</u>	<u>0.07</u>	<u>0.31</u>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2011 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Profit for the period	<u>53,587</u>	<u>36,375</u>	<u>129,880</u>	<u>123,199</u>
Other comprehensive income (loss)				
Changes in fair value of derivatives in cash flow hedges	4,697	5,002	16,616	2,163
Share of changes in fair value of derivatives of associate in cash flow hedges	(4,339)	(2,027)	(4,899)	(7,972)
Changes in fair value of available for sale investments	-	(761)	-	(1,570)
Exchange differences arising on translation of overseas operations	<u>1,575</u>	<u>(614)</u>	<u>1,517</u>	<u>(1,960)</u>
Other comprehensive income (loss) for the period	<u>1,933</u>	<u>1,600</u>	<u>13,234</u>	<u>(9,339)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>55,520</u>	<u>37,975</u>	<u>143,114</u>	<u>113,860</u>
Attributable to:				
Ordinary equity holders of the parent	56,046	36,648	143,028	106,397
Non-controlling interests	<u>(526)</u>	<u>1,327</u>	<u>86</u>	<u>7,463</u>
	<u>55,520</u>	<u>37,975</u>	<u>143,114</u>	<u>113,860</u>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011 (Unaudited)

		30 September 2011 AED '000	(Audited) 31 December 2010 AED '000
	Notes		
ASSETS			
Non-current assets			
Capital work in progress	5	597,092	932,045
Property, plant and equipment		4,651,247	4,401,521
Intangible assets		37,595	37,598
Investments in associates		322,900	298,041
Investments in joint ventures		14,086	3,142
Loans to an associate and a joint venture		57,305	72,207
Finance lease receivable	11	<u>1,621,168</u>	<u>1,194,607</u>
		7,301,393	6,939,161
Current assets			
Inventories		32,317	35,796
Trade and other receivables		840,303	723,894
Loan to an associate		9,781	9,781
Finance lease receivable	11	96,047	81,888
Contract work in progress		27,465	40,704
Cash and short term deposits	10	<u>272,147</u>	<u>361,815</u>
		1,278,060	1,253,878
TOTAL ASSETS		<u>8,579,453</u>	<u>8,193,039</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	6	659,063	243,380
Treasury shares		(2,016)	(2,016)
Statutory reserve		61,115	61,115
Accumulated losses		(929,086)	(1,004,808)
Foreign currency translation reserve		(793)	(2,310)
Cumulative changes in fair value of derivatives and available for sale investments		(59,559)	(71,276)
Mandatory convertible bond and Subordinated loan facility – equity component	7	1,731,105	1,301,679
Capital reduction reserve		961,966	961,966
Other reserve	7	<u>1,145,196</u>	<u>-</u>
		3,566,991	1,487,730
Non - controlling interests		<u>94,405</u>	<u>94,505</u>
Total equity		<u>3,661,396</u>	<u>1,582,235</u>
Non-current liabilities			
Accounts payable and accruals		35,611	65,624
Interest bearing loans and borrowings	8	2,176,170	-
Islamic financing arrangements	8	537,548	-
Obligation under finance lease		31,476	34,403
Mandatory convertible bond and Subordinated loan facility – liability component	7	817,726	-
Employees' end of service benefits		<u>16,003</u>	<u>14,971</u>
		3,614,534	114,998
Current liabilities			
Bank overdraft		-	53,717
Accounts payable and accruals		886,139	1,045,696
Advances		400,000	400,000
Interest bearing loans and borrowings	8	10,020	2,406,091
Islamic financing arrangements	8	-	2,320,683
Mandatory convertible bond – liability component	7	-	262,255
Obligations under finance lease		<u>7,364</u>	<u>7,364</u>
		1,303,523	6,495,806
Total liabilities		<u>4,918,057</u>	<u>6,610,804</u>
TOTAL EQUITY AND LIABILITIES		<u>8,579,453</u>	<u>8,193,039</u>

Waleed Al Mokarrab Al Muhairi
CHAIRMAN

Sujit S. Parhar
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine month period ended 30 September 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 and subordinated loan facility - equity component AED '000	Capital reduction reserve AED '000	Other reserve 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	-	-	18,385	1,446,666
Profit for the period	-	-	-	115,756	-	-	-	-	-	7,463	123,199
Other comprehensive loss for the period	-	-	-	-	(1,960)	(7,379)	-	-	-	-	(9,339)
Total comprehensive income for the period	-	-	-	115,756	(1,960)	(7,379)	-	-	-	7,463	113,860
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary	-	-	-	(82,183)	-	-	-	-	-	82,183	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(14,134)	(14,134)
Balance at 30 September 2010 (unaudited)	1,213,380	(10,050)	47,433	(1,012,213)	(2,652)	(85,082)	1,301,679	-	-	93,897	1,546,392
Balance at 1 January 2011	243,380	(2,016)	61,115	(1,004,808)	(2,310)	(71,276)	1,301,679	961,966	-	94,505	1,582,235
Profit for the period	-	-	-	129,794	-	-	-	-	-	86	129,880
Other comprehensive income for the period	-	-	-	-	1,517	11,717	-	-	-	-	13,234
Total comprehensive income for the period	-	-	-	129,794	1,517	11,717	-	-	-	86	143,114
Conversion of mandatory convertible bond into shares (note 6 and 7)	415,683	-	-	-	-	-	(1,301,679)	-	1,145,196	-	259,200
Issuance of mandatory convertible bond	-	-	-	-	-	-	1,679,621	-	-	-	1,679,621
- equity component (note 7)	-	-	-	(49,650)	-	-	49,650	-	-	-	-
Mandatory convertible bond - coupon settled in kind (note 7)	-	-	-	-	-	-	-	-	-	-	-
Subordinated loan facility- coupon settled in kind (note 7)	-	-	-	(1,834)	-	-	1,834	-	-	-	-
Excess of consideration paid over share of net assets on acquisition of non-controlling interests in a subsidiary	-	-	-	(2,588)	-	-	-	-	-	2,588	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,774)	(2,774)
Balance at 30 September 2011 (unaudited)	659,063	(2,016)	61,115	(929,086)	(793)	(59,559)	1,731,105	961,966	1,145,196	94,405	3,661,396

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2011 (Unaudited)

		<i>Nine month period ended 30 September 2011 AED '000</i>	<i>Nine month period ended 30 September 2010 AED '000 Restated</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		129,880	123,199
Non cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		91,535	74,102
Share of results of associates		(29,758)	(27,775)
Share of results of joint ventures		(389)	(1,379)
Net movement in employees' end of service benefits		1,032	516
Finance income arising from finance lease	11	(69,474)	(46,721)
Interest income		(2,699)	(3,079)
Finance costs		177,353	125,830
Changes in fair value of derivative liability		(5,900)	(21,500)
		291,580	223,193
Working capital adjustments:			
Inventories		3,479	8
Trade and other receivables		(169,439)	(134,586)
Contract work in progress		13,239	(16,040)
Accounts payable and accruals		14,411	79,838
Lease rentals received	11	63,754	26,133
Net cash flows from operating activities		217,024	178,546
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,198)	(34,689)
Proceeds from disposal of property, plant and equipment		782	-
Investment in associates		-	(40,570)
Payments against capital work in progress		(521,459)	(1,012,919)
Proceeds from disposal of available for sale investments		-	35,342
Repayment of loan by an associate		14,902	5,428
Interest received		2,699	3,081
Net cash flows used in investing activities		(507,274)	(1,044,327)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		446,710	1,075,000
Interest bearing loans and borrowings repaid		(4,822)	-
Subordinated loans received	7	825,000	-
Islamic financing arrangement received		52,801	-
Islamic financing arrangement repaid		(734,600)	(20,000)
Recapitalisation program costs paid		(92,795)	-
Payments for obligations under finance lease		(2,927)	(2,663)
Interest paid		(232,294)	(178,708)
Dividends paid to non-controlling interests		(2,774)	(14,134)
Net cash flows from financing activities		254,299	859,495
DECREASE IN CASH AND CASH EQUIVALENTS		(35,951)	(6,286)
Cash and cash equivalents at 1 January		308,098	252,582
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	10	272,147	246,296

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

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 Company is a subsidiary of Mubadala Development PJSC. 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 3 November 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 December 2010. In addition, results for the nine months ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.2 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 nine months ended 30 September 2010:

	<i>Nine months ended 30 September 2010 As previously Reported (Note 1) AED '000</i>	<i>Effect of change in accounting policy AED '000</i>	<i>Nine months ended 30 September 2010 As restated AED '000</i>
<u>Consolidated income statement</u>			
Revenues	778,446	(15,170)	763,276
Operating cost	470,111	(13,447)	456,664
Administrative and other expenses	116,143	(346)	115,797
Interest income	3,081	(2)	3,079
Share of results of joint ventures	-	1,379	1,379

The above change in accounting policy did not have an effect on the reported profit for the period ended 30 September 2010 and therefore did not impact the earnings per share.

Note 1: Adjusted for reclassifications (note 13).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2011 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

2.2 SIGNIFICANT ACCOUNTING POLICIES continued

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:

- IAS 32 Financial Instruments: Presentation- Classification of Rights Issues (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IAS 24 Related Party Disclosures
- Improvements to IFRS (issued 2010)
 - 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 position or performance 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.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

3 SEGMENT INFORMATION continued

The following table present revenue and profit information regarding the Group's operating segments for the nine months ended 30 September 2011 and 2010, respectively.

	<i>Chilled water AED '000</i>	<i>Contracting AED '000</i>	<i>Manufacturing AED '000</i>	<i>Services AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
Period ended 30 September 2011 (unaudited):						
Revenue:						
External revenue	711,508	59,276	35,695	35,518	-	841,997
Inter-segment revenue	-	83,820	-	9,004	(92,824)	-
Total revenue	711,508	143,096	35,695	44,522	(92,824)	841,997
Operating costs	(407,035)	(136,971)	(28,938)	(17,969)	94,039	(496,874)
Gross profit	304,473	6,125	6,757	26,553	1,215	345,123
Segment Results	211,983	4,675	575	11,954	3,006	232,193
Finance costs	-	-	-	-	-	(177,353)
Interest income	-	-	-	-	-	2,699
Other income and changes in fair value of derivative liability	-	-	-	-	-	36,947
Share of results of associates	35,005	-	-	-	-	35,005
Share of results of joint ventures	389	-	-	-	-	389
Profit for the period						129,880
Period ended 30 September 2010 (unaudited):						
Revenue:						
External revenue	563,456	96,938	52,218	50,664	-	763,276
Inter-segment revenue	-	8,402	12,659	7,530	(28,591)	-
Total revenue	563,456	105,340	64,877	58,194	(28,591)	763,276
Operating costs	(336,525)	(79,313)	(46,139)	(23,790)	29,103	(456,664)
Gross profit	226,931	26,027	18,738	34,404	512	306,612
Segment results	137,922	20,597	11,853	19,153	1,290	190,815
Finance costs	-	-	-	-	-	(125,830)
Interest income	-	-	-	-	-	3,079
Other income and changes in fair value of derivative liability	-	-	-	-	-	24,205
Share of results of associates	29,551	-	-	-	-	29,551
Share of results of joint ventures	1,379	-	-	-	-	1,379
Profit for the period						123,199

Intersegment revenues are eliminated on consolidation.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

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

Basic earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of mandatory convertible bond (note 7).

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent (after adjusting for accretion on subordinated loan facility – liability component) 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 (note 7).

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	<u>54,113</u>	<u>35,048</u>	<u>129,794</u>	<u>115,736</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	<u>657,047</u>	241,364	<u>446,149</u>	241,364
Effect of convertible bonds ('000)	<u>2,025,047</u>	<u>135,312</u>	<u>1,305,704</u>	<u>135,312</u>
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bonds ('000)	<u>2,682,094</u>	<u>376,676</u>	<u>1,751,853</u>	<u>376,676</u>
Basic earnings per share (AED)	<u>0.02</u>	<u>0.09</u>	<u>0.07</u>	<u>0.31</u>
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	54,113	35,048	129,794	115,736
Accretion on subordinated loan facility ('000)	<u>2,161</u>	-	<u>2,161</u>	-
Profit for the period attributable to ordinary equity holders of the parent for diluted earnings (AED '000)	<u>56,274</u>	<u>35,048</u>	<u>131,955</u>	<u>115,736</u>
Weighted average number of ordinary shares for basic earnings per share ('000)	<u>2,682,094</u>	376,676	<u>1,751,853</u>	376,676
Effect of dilution for subordinated loan facility Tranche B ('000)	<u>223,340</u>	-	<u>74,721</u>	-
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	<u>2,905,434</u>	<u>376,676</u>	<u>1,826,574</u>	<u>376,676</u>
Diluted earnings per share (AED)	<u>0.02</u>	<u>0.09</u>	<u>0.07</u>	<u>0.31</u>

The weighted average number of ordinary shares outstanding for the period ended 30 September 2010 has been adjusted for the effect of reduction in share capital during 2010, and for the increase in share capital on conversion of mandatory convertible bond of AED 1.7 billion and the settlement of associated coupon of AED 246.5 million during the period ended 30 September 2011 (note 7).

5 CAPITAL WORK IN PROGRESS

During the nine month period ended 30 September 2011 the Group has incurred expenditure of AED 487 million (30 September 2010: AED 423 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 5 million (30 September 2010: AED 91 million).

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

6 ISSUED CAPITAL

	<i>At 30 September 2011 AED '000</i>	<i>(Audited) At 31 December 2010 AED '000</i>
<i>Authorised, issued and fully paid up share capital</i>		
Ordinary shares of 659,063,447 (2010: 243,380,000) at AED 1 each	<u>659,063</u>	<u>243,380</u>

During the period, the issued share capital increased by AED 415,683 thousand shares as a result of early repurchase of mandatory convertible bond (note 7).

7 MANDATORY CONVERTIBLE BONDS AND SUBORDINATED LOAN FACILITY

During the period the Company received the following capital and debt financing:

Issuance of mandatory convertible bond MCB 1

To settle its AED 1,700 million interest bearing loan, the Company, on 1 April 2011, issued a mandatory convertible bond in the form of trust certificates for a total value of AED 1,700 million, maturing in March 2019.

The bond carries interest at a fixed rate of 6% per annum, to be settled in kind by compounding into the principal amount on annual basis during the period from inception to 31 December 2012, and carries a cash coupon of 4% per annum from 1 January 2013 to maturity payable in arrears on a quarterly basis.

The bond shall be converted into ordinary shares of the Company based on an 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 bond at inception amounted to AED 26.3 million.

The liability component of the bond of AED 375.3 million (net of allocated transaction costs of AED 5.9 million) represents present value of cash coupon payable during the period from 1 January 2013 till maturity, discounted at a market rate of 4% 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 from the bond amounting to AED 1,298 million (net of allocated transaction costs of AED 20.4 million) has been recognised as the equity component of the bond and adjusted for the settlement in kind of the coupon.

Draw downs on subordinated loan facility

On 1 April 2011, the Group secured AED 3.1 billion of new, committed long term capital from Mubadala Development PJSC to ensure that Company has a robust and sustainable capital structure. AED 1.7 billion of above facilities is in the form of issuance of a mandatory bond (MCB1) to settle AED 1.7 billion interest bearing loan.

AED 1.4 billion of the above facilities is in the form of a subordinated loan facility (Tranche A and Tranche B), maturing on 31 December 2012 and carrying a fixed interest rate of 2% per annum, to be settled in kind by compounding into the principal amount on a semi annual basis. The Company has drawn down an amount of AED 450 million from Tranche A and an amount of AED 375 million from Tranche B as of 30 September 2011. Undrawn balance of subordinated loan facility as of 30 September 2011 amounted to AED 575 million. The facility is available for drawdown to the Company till its maturity.

Tranche A of the facility along with the coupon in kind compounded into the principal amount will be rolled into a mandatory convertible bond (MCB-2) at its maturity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2011 (Unaudited)

7 MANDATORY CONVERTIBLE BONDS AND SUBORDINATED LOAN FACILITY continued

Draw downs on subordinated loan facility continued

MCB-2 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 an 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 drawn down portion of Tranche A and Tranche B amounted to AED 6.9 million and AED 5.8 million respectively.

The liability component of the Tranche A of AED 93.6 million (net of allocated transaction costs of AED 1.5 million) represents present value of cash coupon payable on MCB 2 during the period from 1 January 2013 till maturity, discounted at a market rate 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 from the Tranche A amounting to AED 349.4 million (net of allocated transaction costs of AED 5.5 million) has been recognised as the equity component of the Tranche A.

Tranche B carries a fixed rate of 2% per annum, to be settled in kind by compounding into the principal amount on half yearly basis during the period from inception to 31 December 2012. Subject to the Group's liquidity position as at 1 January 2014 and as at 1 January 2015, Tranche B will be settled in cash in two equal instalments on these dates. Unsettled balance of Tranche B as of 1 January 2015, if any, will be rolled into MCB-2.

Accordingly, liability component of Tranche B of AED 337.4 million (net of allocated transaction costs of AED 5.3 million) represents present value of repayments, discounted at a market rate of borrowings with similar terms and conditions.

The remainder of the proceeds from the Tranche B represents the interest free period from 1 January 2013 till maturity amounting to AED 31.7 million (net of allocated transaction costs of AED 0.5 million) at inception, and has been recognised as the equity component.

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

	<i>Mandatory convertible bond (MCB 1)</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Present value of annual coupon payments	381,214	-	381,214
Equity component	-	1,318,786	1,318,786
Allocated prepaid transaction costs	(5,906)	(20,392)	(26,298)
On inception	375,308	1,298,394	1,673,702
Accretion expense	7,550	-	7,550
Amortization of transaction costs	368	-	368
Coupon settled in kind	-	49,650	49,650
Balance at 30 September 2011	<u>383,226</u>	<u>1,348,044</u>	<u>1,731,270</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

7 MANDATORY CONVERTIBLE BONDS AND SUBORDINATED LOAN FACILITY continued

Draw downs on subordinated loan facility continued

	<i>Subordinated loan facility – Tranche A</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Present value of annual coupon payments	95,082	-	95,082
Equity component	-	354,918	354,918
Allocated prepaid transaction costs	(1,476)	(5,485)	(6,961)
On inception	93,606	349,433	443,039
Accretion expense	771	-	771
Amortization of transaction costs	205	-	205
Coupon settled in kind	-	1,834	1,834
Balance at 30 September 2011	<u>94,582</u>	<u>351,267</u>	<u>445,849</u>

	<i>Subordinated loan facility – Tranche B</i>		
	<i>Liability component</i>	<i>Equity component</i>	<i>Total</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Present value of principal payments	342,715	-	342,715
Equity component	-	32,285	32,285
Allocated prepaid transaction costs	(5,309)	(491)	(5,800)
On inception	337,406	31,794	369,200
Accretion expense	2,161	-	2,161
Amortization of transaction costs	351	-	351
Balance at 30 September 2011	<u>339,918</u>	<u>31,794</u>	<u>371,712</u>
Total balance of MCB and SBL at 30 September 2011	<u>817,726</u>	<u>1,731,105</u>	<u>2,548,831</u>

The liability components of MCB1, SBL A and SBL B are due for repayment after one year from the date of statement of financial position.

Early repurchase of mandatory convertible bond MCB 08;

During the period, the Company repurchased its mandatory convertible bond (MCB 08) before the original maturity of the bond on 19 May 2011, and settled the outstanding coupon on that date through delivery of 415,683,447 shares with face value of AED 1 each.

This resulted in the extinguishment of MCB 08 - liability component and derivative liability amounting to AED 259.2 million and the equity component of AED 1,301.7 million as of the date of repurchase, with a corresponding increase in the share capital of AED 415.7 million and recognition of 'other reserve' amounting to AED 1,145.2 million, representing the difference between the total of liability and equity components settled and shares issued. The movement in fair value of the associated derivative liability from 1 January 2011 to repurchase date was taken to the consolidated income statement.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

8 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

Restructuring of bank loans

During the period, the existing lenders of the Company unanimously approved the agreement to refinance AED 2.6 billion of existing liabilities and to extend a 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. Both of these carry an interest rate of EIBOR plus a margin.

The facility A is repayable in 13 equal semi-annual instalments amounting to AED 76.9 million commencing from 31 December 2012 with the last instalment due on 31 March 2019. Facility B is repayable in a bullet payment on 31 March 2019.

After 31 December 2012, 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.

The revolving facility of AED 150 million can be utilised in the form of issuance of documentary credits and drawing cash advances up to an amount of AED 75 million, out of which an amount of AED 93 million (cash advances of AED nil) has been utilised by the Company as of 30 September 2011. The revolving facility carries interest at 0.58% to 1.75% for issuance of documentary credits and EIBOR plus a margin on cash drawings and is repayable on 31 March 2019 with an annual clean down of no more than AED 5 million of cash advances made.

Interest on the above facilities is payable in cash on a quarterly basis. The facilities are secured against plants, equipment and trade debtors.

Transaction costs on restructuring of bank loans and funding from Mubadala Development Company PJSC (note 7) amounted to AED 127 million, allocated as under:

	<i>AED '000</i>
Mandatory convertible bond and subordinated loan facility -equity component (note 7)	26,368
Mandatory convertible bond and subordinated loan facility -liability component (note 7)	12,691
Interest bearing loans and borrowings and Islamic financing arrangements	74,990
Subordinated loan facility – undrawn	8,898
Charged to the consolidated income statement during the period ended 31 December 2010	<u>4,409</u>
	<u>127,356</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

9 COMMITMENTS AND CONTINGENCIES

Commitments

The authorised capital expenditure contracted for at 30 September 2011 but not provided for amounted to AED 148 million (31 December 2010: AED 560 million).

Contingencies

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

	<i>At 30 September 2011 AED '000</i>	<i>(Audited) At 31 December 2010 AED '000</i>
Performance guarantees	91,615	89,785
Advance payment guarantees	10,778	20,203
Financial guarantees	<u>8,972</u>	<u>10,359</u>
	<u>111,365</u>	<u>120,347</u>

10 BANK BALANCES AND CASH

Geographical concentration of bank balances and cash is as follows:

	<i>At 30 September 2011 AED '000</i>	<i>At 30 September 2010 AED '000</i>
Within UAE	236,203	206,796
Outside UAE	<u>35,944</u>	<u>39,500</u>
	<u>272,147</u>	<u>246,296</u>

11 FINANCE LEASE RECEIVABLE

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

	<i>AED '000</i>
At 1 January	1,276,495
Transfers from capital work in progress during the period	435,000
Finance lease income	69,474
Received during the period	<u>(63,754)</u>
At 30 September	<u>1,717,215</u>

On commencement of the lease under an agreement with a customer determined to be a finance lease under IFRIC 4 and IAS 17, an amount of AED 435 million representing fair value of leased assets have been transferred from capital work in progress to finance lease receivable during the period.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

11 FINANCE LEASE RECEIVABLE continued

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

	<i>As at 30 September 2011</i>		<i>As at 31 December 2010</i>	
	<i>Minimum lease receivables</i>	<i>Present value of minimum lease receivable</i>	<i>Minimum lease receivables</i>	<i>Present value of minimum lease receivable</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Within one year	100,222	96,047	85,005	81,888
After one but no more than five years	503,593	407,634	362,054	292,897
More than five years	<u>3,477,680</u>	<u>1,213,534</u>	<u>2,613,781</u>	<u>901,710</u>
	4,081,495	1,717,215	3,060,840	1,276,495
Unearned revenue	<u>(2,364,280)</u>	<u>-</u>	<u>(1,784,345)</u>	<u>-</u>
	<u>1,717,215</u>	<u>1,717,215</u>	<u>1,276,495</u>	<u>1,276,495</u>

Analysed in the consolidated statement of financial position as follows:

	<i>30 September 2011</i>	<i>31 December 2010</i>
	<i>AED '000</i>	<i>AED '000</i>
Current assets	96,047	81,888
Non-current assets	<u>1,621,168</u>	<u>1,194,607</u>
	<u>1,717,215</u>	<u>1,276,495</u>

12 RELATED PARTY TRANSACTIONS

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

Transactions with related parties included in the interim consolidated income statement are as follows:

	<i>30 September 2011</i>				<i>30 September 2010</i>			
	<i>Revenue</i>	<i>Operating costs</i>	<i>Interest expense</i>	<i>Other income</i>	<i>Revenue</i>	<i>Operating costs</i>	<i>Interest expense</i>	<i>Other income</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>Restated</i>							
Associated companies	<u>-</u>	<u>66,966</u>	<u>-</u>	<u>3,204</u>	<u>-</u>	<u>77,346</u>	<u>-</u>	<u>3,252</u>
Joint venture	<u>610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Major shareholder	<u>31,864</u>	<u>-</u>	<u>29,922</u>	<u>-</u>	<u>66,629</u>	<u>-</u>	<u>30,651</u>	<u>-</u>
Other related parties	<u>84,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,197</u>	<u>-</u>	<u>-</u>	<u>-</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 2011 (Unaudited)

12 RELATED PARTY TRANSACTIONS continued

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

	30 September 2011				31 December 2010			
	Loan receivable AED '000	Interest bearing loans and borrowings AED '000	Other receivables AED '000	Other payables and advances AED '000	Loan receivable AED '000 Restated	Interest bearing loans and borrowings AED '000	Other receivables AED '000 Restated	Other payables and advances AED '000 Restated
Associated companies	10,542	-	19,326	33,401	25,444	-	12,862	29,042
Joint venture	56,544	-	5,928	40,771	56,544	-	34,754	114,898
Major shareholder (i)	-	-	42,096	1,590	-	1,255,000	20,649	12,767
Other related parties	-	-	217,997	400,000	-	-	139,727	400,000
	<u>67,086</u>	<u>-</u>	<u>285,347</u>	<u>475,762</u>	<u>81,988</u>	<u>1,255,000</u>	<u>207,992</u>	<u>556,707</u>

- (i) On 1 April 2011, the Group secured AED 3.1 billion of new, committed long term capital from Mubadala Development. AED 1.7 billion of above facilities is in the form of issuance of MCB1 (note 7) that was issued to settle AED 1.7 billion interest bearing loan. AED 1.4 billion of the above facilities is in the form of a subordinated loan facility, out of which AED 825 million of draw downs has been made as at 30 September 2011 (note 8).

Compensation of key management personnel

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

	At 30 September 2011 AED '000	At 30 September 2010 AED '000
Short-term benefits	12,930	14,405
Employees' end of service benefits	<u>744</u>	<u>663</u>
	<u>13,674</u>	<u>15,068</u>
Number of key management personnel	<u>16</u>	<u>20</u>

13 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 67.5 million for the period ended 30 September 2010 which was previously reported under 'administrative and other expenses' have been reclassified and are now shown separately in revenues.
- Operating costs of AED 77.3 million for the period ended 30 September 2010 which was previously reported under 'administrative and other expenses' have been reclassified and are now shown separately in operating costs.
- Staff costs amounting to AED 14.6 million were reclassified from 'administrative and other expenses' to operating costs.