

NATIONAL CENTRAL COOLING COMPANY PJSC

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

NATIONAL CENTRAL COOLING COMPANY PJSC

**Review report and condensed consolidated interim financial information
for the nine-month period ended 30 September 2020**

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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 September 2020 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and condensed consolidated interim statements of changes in equity and cash flows for the nine-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
11 November 2020

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

*PricewaterhouseCoopers, (Abu Dhabi Branch), License no. 1001301
Al Khatem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me*

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of profit or loss (unaudited)

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Revenues	5	547,930	455,981	1,257,945	1,127,916
Direct costs	5	(319,922)	(258,426)	(665,646)	(580,356)
Gross profit		228,008	197,555	592,299	547,560
Administrative and other expenses	5	(54,490)	(52,197)	(166,246)	(157,140)
Operating profit		173,518	145,358	426,053	390,420
Finance costs	15	(53,283)	(45,338)	(148,256)	(136,580)
Finance income	5	112	578	785	1,772
Impairment provision for trade receivables		-	-	(19,700)	-
Other gains and losses	5	(37)	717	67,722	10,368
Share of results of associates and joint ventures, net	5	34,406	29,616	57,773	69,836
Profit for the period		154,716	130,931	384,377	335,816
Attributable to:					
Equity holders of the parent		146,146	129,746	370,444	329,109
Non-controlling interests		8,570	1,185	13,933	6,707
		154,716	130,931	384,377	335,816
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	6	0.05	0.05	0.14	0.12

The accompanying notes on pages 7 to 22 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of comprehensive income (unaudited)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020 AED'000	2019 AED'000	2020 AED'000	2019 AED'000
Profit for the period	154,716	130,931	384,377	335,816
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 related to Interest Rates Swaps ("IRS")	(5,309)	2,216	(28,012)	(4,084)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges related to IRS	1,819	(5,284)	(38,270)	(22,653)
Exchange differences arising on translation of overseas operations	-	9	(4)	223
Total comprehensive income for the period	151,226	127,872	318,091	309,302
Attributable to:				
Equity holders of the parent	142,656	126,687	304,158	302,595
Non-controlling interests	8,570	1,185	13,933	6,707
	151,226	127,872	318,091	309,302

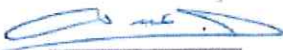
The accompanying notes on pages 7 to 22 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of financial position

		As at	
		30 September 2020 (unaudited) AED '000	31 December 2019 (audited) AED '000
ASSETS	Notes		
Non-current assets			
Capital work in progress	8	281,887	66,956
Property, plant and equipment	8	4,440,620	3,940,360
Right-of-use assets		122,046	136,267
Intangible assets	9	2,328,944	28,527
Investment in associates and joint ventures	10	735,936	605,708
Advance towards investment in an associate	10	-	126,274
Finance lease receivables	11	2,818,909	2,836,547
		<u>10,728,342</u>	<u>7,740,639</u>
Current assets			
Inventories		44,433	34,673
Trade and other receivables		873,253	593,424
Finance lease receivables	11	318,342	307,984
Cash and cash equivalents	12	321,846	226,902
		<u>1,557,874</u>	<u>1,162,983</u>
TOTAL ASSETS		<u>12,286,216</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		2,008,562	1,923,249
Foreign currency translation reserve		(1,690)	(1,686)
Cumulative changes in fair value of derivatives in cash flow hedges		(114,835)	(48,553)
Equity attributable to the equity holders of the parent		<u>4,964,016</u>	<u>4,944,989</u>
Non – controlling interests		702,369	70,666
Total equity		<u>5,666,385</u>	<u>5,015,655</u>
LIABILITIES			
Non-current liabilities			
Trade and other payables		93,619	95,261
Interest bearing loans and borrowings	13	3,305,996	870,477
Non-convertible Sukuk	14	1,829,698	1,828,843
Lease liabilities		225,080	247,495
Employees' end of service benefits		34,586	31,390
		<u>5,488,979</u>	<u>3,073,466</u>
Current liabilities			
Trade and other payables		788,817	620,013
Interest bearing loans and borrowings	13	298,912	147,234
Lease liabilities		43,123	47,254
		<u>1,130,852</u>	<u>814,501</u>
Total liabilities		<u>6,619,831</u>	<u>3,887,967</u>
TOTAL EQUITY AND LIABILITIES		<u>12,286,216</u>	<u>8,903,622</u>

To the best of our knowledge, the condensed consolidated interim financial information is 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 22 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of changes in equity

	Attributable to owners of the parent							Non – controlling interests AED '000	Total equity AED '000
	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		
Effect of changes in accounting policy for IFRS 16									
Balance at 1 January 2019 (audited)	2,715,529	(2,016)	316,867	955,960	(2,368)	(20,886)	706,920	67,462	4,737,468
Effect of changes in accounting policy for IFRS 16	-	-	-	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	67,462	4,824,758
Profit for the period	-	-	-	329,109	-	-	-	6,707	335,816
Other comprehensive income/(loss) for the period	-	-	-	-	223	(26,737)	-	-	(26,514)
Total comprehensive income for the period	-	-	-	329,109	223	(26,737)	-	6,707	309,302
Dividend paid to shareholders (note 18)	-	-	-	(257,975)	-	-	-	(1,656)	(257,975)
Effect of additional ownership in subsidiary	-	-	-	174	-	-	-	(2,414)	(1,482)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(2,414)
Balance at 30 September 2019 (unaudited)	2,715,529	(2,016)	316,867	1,114,558	(2,145)	(47,623)	706,920	70,099	4,872,189
Balance at 1 January 2020 (audited)	2,715,529	(2,016)	358,466	1,923,249	(1,686)	(48,553)	-	70,666	5,015,655
Profit for the period	-	-	-	370,444	-	-	-	13,933	384,377
Other comprehensive income/(loss) for the period	-	-	-	-	(4)	(66,282)	-	-	(66,286)
Total comprehensive income/(loss) for the period	-	-	-	370,444	(4)	(66,282)	-	13,933	318,091
Dividend paid to shareholders (note 18)	-	-	-	(285,131)	-	-	-	-	(285,131)
Non-controlling interest on acquisition of a subsidiary (note 7)	-	-	-	-	-	-	-	619,953	619,953
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(2,183)	(2,183)
Balance at 30 September 2020 (unaudited)	2,715,529	(2,016)	358,466	2,008,562	(1,690)	(114,835)	-	702,369	5,666,385

The accompanying notes on pages 7 to 22 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC
Condensed consolidated interim statement of cash flows (unaudited)

	Notes	Nine-month period ended 30 September	
		2020 AED '000	2019 AED '000
OPERATING ACTIVITIES			
Profit for the period		384,377	335,816
Non-cash adjustments:			
Depreciation of property, plant and equipment		124,249	112,674
Depreciation of right-of-use assets		15,522	14,757
Amortisation of intangible assets		21,813	-
Finance lease income		(151,365)	(231,806)
Share of results of associates and joint ventures, net	5	(57,773)	(69,836)
Net movement in employees' end of service benefits		3,196	1,929
Finance income	5	(785)	(1,772)
Finance costs	15	148,256	136,580
Other gains and losses		(75,722)	(10,368)
Operating cash flows before changes in working capital		411,768	287,974
Working capital changes:			
Inventories		(7,396)	(3,395)
Trade and other receivables		(228,651)	(98,624)
Trade and other payables		88,127	111,603
Lease rentals received	11	240,368	276,479
Net cash flows generated from operating activities		504,216	574,037
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(9,120)	(7,024)
Payments for capital work in progress		(81,349)	(56,440)
Payment for acquisition of shares in a subsidiary		(2,479,920)	(1,482)
Dividends from a joint venture		2,750	7,500
Dividends from associates		5,876	20,727
Interest received		362	1,730
Net cash flows used in investing activities		(2,561,401)	(34,989)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received		2,833,089	95,000
Interest bearing loans and borrowings repaid		(251,613)	(174,828)
Principal elements of lease payments		(39,645)	(39,306)
Interest paid		(102,388)	(94,106)
Dividends paid to shareholders	18	(285,131)	(257,975)
Dividends paid to non-controlling interests		(2,183)	(2,414)
Net cash flows generated from/(used in) financing activities		2,152,129	(473,629)
NET INCREASE IN CASH AND CASH EQUIVALENTS		94,944	65,419
Cash and cash equivalents at 1 January		226,902	248,946
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	12	321,846	314,365

The accompanying notes on pages 7 to 22 form an integral part of this condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 Company'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).

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 IFRS amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 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 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 nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 for customer contracts (intangible assets) due to recognition of customer contracts upon completion of business combination during the period (Note 7). The implementation of the new amendments to accounting standards 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 condensed consolidated interim statement of 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 and the useful lives of assets. 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**Notes to the condensed consolidated interim financial information
for the nine-month period ended 30 September 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 condensed interim statement of 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, provision 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 COVID-19 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. The quantification of such increase in risk remains very difficult in the current uncertain environment. However, management has performed revised assessments and an additional loss allowance of AED 19.7 million have been accounted for in this condensed consolidated interim financial information. 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.

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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.

	Nine-month period ended 30 September 2020 (unaudited)				Nine-month period ended 30 September 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	1,219,074	38,871	-	1,257,945	1,073,053	54,863	-	1,127,916
Inter-segment revenue	-	28,610	(28,610)	-	-	21,624	(21,624)	-
Total revenue	1,219,074	67,481	(28,610)	1,257,945	1,073,053	76,487	(21,624)	1,127,916
Direct costs	(639,397)	(35,062)	8,813	(665,646)	(550,112)	(43,069)	12,825	(580,356)
Gross profit	579,677	32,419	(19,797)	592,299	522,941	33,418	(8,799)	547,560
Administrative and other expenses	(156,620)	(16,949)	7,323	(166,246)	(140,544)	(21,097)	4,501	(157,140)
Operating profit	423,057	15,470	(12,474)	426,053	382,397	12,321	(4,298)	390,420
Finance costs	(147,842)	(414)	-	(148,256)	(136,170)	(410)	-	(136,580)
Finance income	738	47	-	785	1,691	81	-	1,772
Impairment provision for trade receivables	(19,700)	-	-	(19,700)	-	-	-	-
Other gains and losses	67,722	-	-	67,722	-	-	-	10,368
Share of results of associates and joint ventures	57,773	-	-	57,773	69,836	-	-	69,836
Profit for the period				384,377				335,816

Inter-segment revenues and expenses are eliminated on consolidation.

	30 September 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	12,158,988	127,228	12,286,216	8,766,295	137,327	8,903,622
Total liabilities	6,554,204	65,627	6,619,831	3,820,888	67,079	3,887,967

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 September		Nine-month period ended 30 September	
	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)	146,146	129,746	370,444	329,109
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	0.05	0.14	0.12

7 Business combination

On 5 April 2020, 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:

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

7 Business combination (continued)

	AED '000
Purchase consideration	
Cash paid	2,479,947
	<u>2,479,947</u>
Assets	
Capital work in progress (i)	173,820
Property, plant and equipment (including land) (i)	586,265
Intangible assets: customer contracts (ii)	2,243,311
Inventories	2,364
Trade and other receivables (iii)	50,755
Cash and bank balances	27
	<u>3,056,542</u>
Liabilities	
Trade and other payables	(35,561)
	<u>(35,561)</u>
Net identifiable assets acquired	3,020,981
Less: non-controlling interests	(619,953)
Goodwill arising on acquisition (iv)	78,919
Net assets acquired	<u>2,479,947</u>

- (i) Property, plant and equipment and capital work in progress are recorded at their fair value at the acquisition date. Property, plant and equipment includes AED 54 million of land.
- (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 service 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.
- (iv) Goodwill represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition.

Revenue and profit contribution:

The acquired business contributed revenues of AED 180.3 million and net profit of AED 56.1 million to the Group for the period from 5 April 2020 to 30 September 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the period ended 30 September 2020 would have been AED 233.9 million and AED 67.0 million, respectively.

NATIONAL CENTRAL COOLING COMPANY PJSC

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

7 Business combination (continued)

Acquisition-related costs of AED 8 million are recorded under 'other gains and losses' in the condensed consolidated interim statement of profit or loss.

8 Capital work in progress and property plant and equipment

Capital work in progress

During the nine-month period ended 30 September 2020, the Group has incurred capital expenditure of AED 70.2 million (30 September 2019: AED 67 million) primarily relating to construction of district cooling plants and distribution networks. Also, during the nine-month period ended 30 September 2020, the Group provided for AED 6 million pertaining to development costs which is recorded under 'other gains and losses' in the condensed consolidated interim statement of profit or loss.

Property plant and equipment

	At 30 September 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
At 1 January	3,940,360	4,051,993
Additions	9,120	13,005
Acquisition through business combination, net (note 7)	586,265	-
Transfer from capital work in progress	29,124	54,234
Transfer to finance lease	-	(28,758)
Depreciation	(124,249)	(150,114)
	<u>4,440,620</u>	<u>3,940,360</u>

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	-	(21,813)	(21,813)
At 30 September 2020	<u>107,446</u>	<u>2,221,498</u>	<u>2,328,944</u>

The customer contracts have a finite useful life of 50 years and are subsequently carried at cost less accumulated amortisation.

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

10 Investment in associates and joint ventures

	At 30 September 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
At 1 January	605,708	579,280
Share of results (note 5)	57,773	99,127
Additions (i)	126,274	-
Dividends received	(8,626)	(44,225)
Share of changes in fair value of effective cash flow hedges	(38,270)	(19,418)
Adjustments for inter-group transactions	(6,923)	(9,056)
	<u>735,936</u>	<u>605,708</u>

- (i) During the nine-month period ended 30 September 2019, 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.

11 Finance lease receivables

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

	At 30 September 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>
Initial recognition of new finance lease receivables during the period	-	163,783
Finance lease income	176,425	208,120
Lease rentals received	(240,368)	(323,029)
Variable lease payment - CPI indexation	(25,061)	54,049
Modification of existing finance lease (i)	81,724	-
	<u>3,137,251</u>	<u>3,144,531</u>

NATIONAL CENTRAL COOLING COMPANY PJSC

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

11 Finance lease receivables (continued)

- (i) During the nine-month period ended 30 September 2020, 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 September 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
Current	318,342	307,984
Non-current	2,818,909	2,836,547
	<u>3,137,251</u>	<u>3,144,531</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:

	30 September 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)	30 September 2019 AED '000 (unaudited)
Bank balances and cash	220,220	120,646	127,838
Bank deposits	101,626	106,256	186,527
Cash and cash equivalents	<u>321,846</u>	<u>226,902</u>	<u>314,365</u>

NATIONAL CENTRAL COOLING COMPANY PJSC

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

12 Cash and cash equivalents (continued)

Geographical concentration of cash and cash equivalents is as follows:

	30 September 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)	30 September 2019 AED '000 (unaudited)
Within UAE	292,651	196,436	278,903
Outside UAE	29,195	30,466	35,462
	<u>321,846</u>	<u>226,902</u>	<u>314,365</u>

13 Interest bearing loans and borrowings

	Effective interest rate %	30 September 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)
Term loan 1 (i)	LIBOR + margin	802,508	714,676
Term loan 2 (ii)	5.25%	66,476	67,311
Term loan 3 (iii)	EIBOR + margin	156,947	166,114
Term loan 4 (iv)	EIBOR + margin	67,721	69,610
Term loan 5 (v)	LIBOR + margin	2,511,256	-
		<u>3,604,908</u>	<u>1,017,711</u>

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

	30 September 2020 AED '000 (unaudited)	31 December 2019 AED '000 (audited)
Current portion	298,912	147,234
Non-current portion	<u>3,305,996</u>	<u>870,477</u>
	<u>3,604,908</u>	<u>1,017,711</u>

NATIONAL CENTRAL COOLING COMPANY PJSC

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

13 Interest bearing loans and borrowings (continued)

(i) Term loan 1

Facility of AED 918 million (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 with a bullet payment of 30% on 1 November 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 September 2020, the Group has drawn down AED 150 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 property, plant and equipment (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 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 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

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

13 Interest bearing loans and borrowings (continued)

(v) Term loan 5

During the period ended 30 September 2020, the Group secured a syndicated facility of AED 2,541 million (US\$ 692 million) from an international bank to finance the acquisition of a subsidiary. The facility carries interest rate of LIBOR plus a margin. The interest is 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 AED 1,836 million (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

	Nine-month period ended 30 September	
	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	136,458	123,561
Accretion on lease liabilities	11,798	13,019
	<u>148,256</u>	<u>136,580</u>

16 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 30 September 2020 but not provided for amounted to AED 233.4 million (31 December 2019: AED 148 million) related to capital work in progress (note 8).

NATIONAL CENTRAL COOLING COMPANY PJSC

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

16 Commitments and contingencies (continued)

Contingencies

	At 30 September 2020 AED '000 (unaudited)	At 31 December 2019 AED '000 (audited)
Performance guarantees	100,011	100,257
Advance payment guarantees	633	633
Financial guarantees	50	50
	<u>100,694</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:

	Nine-month period ended			
	30 September 2020 (unaudited)		30 September 2019 (unaudited)	
	Revenue AED '000	Direct costs AED '000	Revenue AED '000	Direct costs AED '000
Associated companies	<u>8,478</u>	<u>46,343</u>	<u>3,814</u>	<u>44,777</u>
Joint Ventures	<u>3,691</u>	<u>-</u>	<u>3,607</u>	<u>-</u>

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Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 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 September 2020 (unaudited)	
	Trade and other receivables AED '000	Trade and other payables AED '000
Associated companies	10,131	35,633
Joint ventures	2,026	-
Non-controlling interest shareholders	80,743	-
	<u>92,900</u>	<u>35,633</u>
	31 December 2019 (audited)	
	Trade and other receivables AED '000	Trade and other payables AED '000
Associated companies	16,787	44,057
Joint ventures	2,034	-
Non-controlling interest shareholders	1,664	-
	<u>20,485</u>	<u>44,057</u>

Compensation of key management personnel

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

	Nine-month period ended 30 September	
	2020 AED'000 (unaudited)	2019 AED'000 (unaudited)
Short-term benefits	6,511	6,667
Employees' end of service benefits	129	181
	<u>6,640</u>	<u>6,848</u>
Number of key management personnel	<u>5</u>	<u>5</u>

NATIONAL CENTRAL COOLING COMPANY PJSC**Notes to the condensed consolidated interim financial information
for the nine-month period ended 30 September 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 September 2020 are not materially different from their fair values as at 31 December 2019.

21 Subsequent event

In October 2020, following approval by shareholders, the Group issued new 7-year conventional bonds amounting to US\$500 million (AED 1,836 million) listed on London Stock Exchange. These bonds carry a coupon rate of 2.5% per annum.

22 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 11 November 2020.