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National Central Cooling Company PJSC
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2009 (UNAUDITED)



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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the "Company") and its subsidiaries (the "Group") as at 31 March 2009, comprising of the interim consolidated statement of financial position as at 31 March 2009 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young

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

13 May 2009
Abu Dhabi

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF INCOME

Three month period ended 31 March 2009 (Unaudited)

		<i>Three month period ended 31 March 2009 AED '000</i>	<i>Three month period ended 31 March 2008 AED '000</i>
	<i>Notes</i>		
Revenues	3	189,712	129,011
Operating costs		(109,545)	(58,067)
GROSS PROFIT		80,167	70,944
Administrative and other expenses		(40,606)	(36,148)
Finance costs	3	(25,908)	(20,328)
Finance income	3	3,597	1,843
Changes in fair value of derivative liability		(1,900)	-
Changes in fair value of investments			
carried at fair value through income statement	3	85	(3,384)
Other income		1,665	618
Share of results of associates	3	<u>4,710</u>	<u>2,961</u>
PROFIT FOR THE PERIOD		<u>21,710</u>	<u>16,506</u>
Attributable to:			
Equity holders of the parent		10,771	9,976
Minority interests		<u>10,939</u>	<u>6,530</u>
		<u>21,710</u>	<u>16,506</u>
Basic and diluted earnings per share			
attributable to ordinary equity holders of the parent (AED)	4	<u>0.11</u>	<u>0.01</u>

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three month period ended 31 March 2009 (Unaudited)

	<i>Three month period ended 31 March 2009 AED '000</i>	<i>Three month period ended 31 March 2008 AED '000</i>
Profit for the period	<u>21,710</u>	<u>16,506</u>
Other comprehensive income (loss)		
Changes in fair value of derivatives	(11,931)	(42,658)
Changes in fair value of available for sale investments	133	(1,506)
Exchange differences arising on translation of overseas operations	<u>(397)</u>	<u>(467)</u>
Other comprehensive loss for the period	<u>(12,195)</u>	<u>(44,631)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>9,515</u>	<u>(28,125)</u>
Attributable to:		
Equity holders of the parent	(1,414)	(34,655)
Minority interests	<u>10,919</u>	<u>6,530</u>
	<u>9,515</u>	<u>(28,125)</u>

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2009 (Unaudited)

		31 March 2009 AED '000	(Audited) 31 December 2008 AED '000
	Notes		
ASSETS			
Non-current assets			
Capital work in progress	6	3,140,886	2,764,733
Property, plant and equipment		2,769,088	2,626,587
Intangible assets		38,078	38,562
Investments in associates		250,447	243,232
Available for sale investments		59,106	58,973
Loan to an associate		42,029	42,029
		<u>6,300,634</u>	<u>5,774,116</u>
Current assets			
Inventories		43,582	77,338
Trade and other receivables		503,549	449,279
Financial assets carried at fair value through income statement		58,923	58,840
Contract work in progress		228,169	207,563
Prepayments		8,393	8,787
Bank balances and cash		<u>548,674</u>	<u>701,959</u>
		<u>1,391,388</u>	<u>1,503,766</u>
TOTAL ASSETS		<u>7,691,022</u>	<u>7,277,882</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,213,380	1,213,380
Treasury shares		(10,040)	(10,050)
Statutory reserve		47,433	47,433
Retained earnings		83,004	72,733
Foreign currency translation reserve		(1,041)	(664)
Cumulative changes in fair value of derivatives and available for sale investments		(123,047)	(112,189)
Convertible bond – equity component		<u>1,301,672</u>	<u>1,301,679</u>
		<u>2,510,358</u>	<u>2,512,322</u>
Minority interests		<u>172,165</u>	<u>161,766</u>
Total equity		<u>2,682,523</u>	<u>2,674,088</u>
Non-current liabilities			
Accounts payable and accruals		76,809	55,172
Interest bearing loans and borrowings	5	185,175	185,465
Islamic financing arrangements	5	2,030,465	1,669,209
Obligations under finance lease		40,484	41,272
Convertible bond – liability component		256,036	256,597
Employees' end of service benefits		<u>16,898</u>	<u>17,254</u>
		<u>2,605,867</u>	<u>2,224,969</u>
Current liabilities			
Bank overdrafts		141,019	233,326
Accounts payable and accruals		1,453,009	1,458,051
Advances		400,000	-
Interest bearing loans and borrowings	5	250,007	158,045
Islamic financing arrangements	5	28,321	403,576
Convertible bond – liability component		124,096	118,463
Obligations under finance lease		<u>7,164</u>	<u>7,364</u>
		<u>2,402,616</u>	<u>2,378,825</u>
Total liabilities		<u>5,088,753</u>	<u>4,603,794</u>
TOTAL EQUITY AND LIABILITIES		<u>7,691,022</u>	<u>7,277,882</u>

Khadem Abdul Al Qubaisi

CHAIRMAN

Khalid M. Al-Mutairi
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three month period ended 31 March 2009 (Unaudited)

	Attributable to equity holders of the parent								Total AED '000	Minority interests AED '000	Total equity AED '000
	Share 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 and available for sale investments AED '000	Convertible bond- equity component AED '000	Reserve for proposed bonus issue AED '000			
Balance at 1 January 2008	1,134,000	(10,050)	36,478	10,730	(145)	(8,509)	-	79,380	1,241,884	132,971	1,374,855
Profit for the period	-	-	-	9,976	-	-	-	-	9,976	6,530	16,506
Other comprehensive loss for the period	-	-	-	-	(467)	(44,164)	-	-	(44,631)	-	(44,631)
Total comprehensive loss for the period	-	-	-	9,976	(467)	(44,164)	-	-	(34,655)	6,530	(28,125)
Bonus shares issued	79,380	-	-	-	-	-	-	(79,380)	-	-	-
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(11,280)	(11,280)
Balance at 31 March 2008 (unaudited)	<u>1,213,380</u>	<u>(10,050)</u>	<u>36,478</u>	<u>20,706</u>	<u>(612)</u>	<u>(52,673)</u>	<u>-</u>	<u>-</u>	<u>1,207,129</u>	<u>128,301</u>	<u>1,335,530</u>
Balance at 1 January 2009	1,213,380	(10,050)	47,433	72,733	(664)	(112,189)	1,301,679	-	2,512,322	161,766	2,674,088
Profit for the period	-	-	-	10,771	-	-	-	-	10,771	10,939	21,710
Other comprehensive loss for the period	-	-	-	-	(397)	(11,798)	-	-	(12,195)	-	(12,195)
Total comprehensive loss for the period	-	-	-	10,771	(397)	(11,798)	-	-	(1,424)	10,939	9,515
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(540)	(540)
Balance at 31 March 2009 (unaudited)	<u>1,213,380</u>	<u>(10,050)</u>	<u>47,433</u>	<u>83,504</u>	<u>(1,061)</u>	<u>(123,987)</u>	<u>1,301,679</u>	<u>-</u>	<u>2,510,898</u>	<u>172,165</u>	<u>2,683,063</u>

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three month period ended 31 March 2009 (Unaudited)

	<i>Three month period ended 31 March 2009 AED '000</i>	<i>Three month period ended 31 March 2008 AED '000</i>
OPERATING ACTIVITIES		
Profit for the period	21,710	16,506
Non cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation of property, plant and equipment	18,519	13,473
Share of results of associates	(4,213)	(2,392)
Net movement in employees' end of service benefits	(286)	1,397
Finance income	(3,517)	(1,843)
Finance costs	25,918	20,328
Loss on disposal of financial assets carried at fair value through income statement	-	60
Changes in fair value relating to financial assets carried at fair value through income statement	(15)	3,324
Changes in fair value of derivative liability	1,900	-
Working capital adjustments:		
Inventories	33,616	(2,672)
Trade and other receivables and prepayments	(53,816)	(139,397)
Contract work in progress	(20,606)	67,122
Accounts payable and accruals	(59,316)	58,332
Interest paid	(78,613)	(67,399)
Net cash flows used in operating activities	(118,919)	(33,161)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,712)	(1,984)
Investment in associates	-	(29,749)
Purchase of intangible assets	(316)	-
Additions to capital work in progress	(412,419)	(387,270)
Proceeds on disposal of financial assets carried at fair value through income statement	-	43,430
Advances received	400,000	-
Interest received	3,557	1,843
Net cash flows used in investing activities	(13,920)	(373,730)
FINANCING ACTIVITIES		
Interest bearing loans and borrowings received	157,168	57,678
Interest bearing loans and borrowings repaid	(62,041)	(125)
Islamic financing arrangement received	368,000	-
Islamic financing arrangement repaid	(378,735)	(206)
Transaction cost on interest bearing loans and borrowings	(3,313)	-
Transaction cost on Islamic financing arrangements	(7,930)	-
Payments for obligations under finance lease	(788)	(718)
Dividends paid to minority interests	(540)	(11,200)
Net cash flows from financing activities	71,921	45,429
DECREASE IN CASH AND CASH EQUIVALENTS	(60,918)	(361,462)
Cash and cash equivalents at 1 January	468,633	368,636
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u>407,715</u>	<u>7,174</u>

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (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 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 13 May 2009.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

At 31 March 2009, the Company's current liabilities exceeded its current assets by AED 1,011 million (31 December 2008: AED 875.1 million). The interim condensed consolidated financial statements have been prepared on a going concern basis as management of the Company supported by the Board of Directors have expressed confidence in generating funds through working capital and/or restructuring its current bank facilities to enable the Company to meet its liabilities as they fall due in the foreseeable future. At the date of approval of these interim condensed consolidated financial statements, the Company is in discussions with various financial institutions for the purpose of securing additional and / or restructuring existing loans and borrowings.

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company and its subsidiaries ("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 Group. 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 2008. In addition, results for the three months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

2.3 SIGNIFICANT ACCOUNTING POLICIES

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 2008, except for the adoption of the following new standards as of 1 January 2009, noted below:

IAS 1 Presentation of Financial Statements (Revised)

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IFRS 8 Operating segments

The standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on financial position or performance of the Group. Additional disclosures about each of these segments are shown in note 3 including revised comparative information.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

3 SEGMENT INFORMATION

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

- The 'services' segment is involved in design and supervision of electrical, mechanical coding and sanitary engineering works.
- 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 stations 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.
- "Others" represent aggregation of five segments.

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

Operating segments

The following table present revenue and profit information regarding the Group's operating segments for the three months ended 31 March 2009 and 2008, respectively.

	Services AED '000	Chilled water AED '000	Contracting AED '000	Manufacturing AED '000	Others AED '000	Eliminations AED '000	Total AED '000
Three months ended 31 March 2009 (unaudited):							
Revenue							
External revenue	15,634	61,284	26,317	81,405	5,032	-	139,722
Inter-segment revenue	863	-	-	310	1,116	(2,289)	-
Total revenue	16,497	61,284	26,317	81,715	6,148	(2,289)	139,722
Results							
Segment results	6,383	10,900	(144)	24,943	(1,075)	-	41,206
Finance costs	-	-	-	-	-	-	(25,988)
Changes in fair value of derivative liability	-	-	-	-	-	-	(1,900)
Finance income	-	-	-	-	-	-	3,597
Changes in fair value of investments	-	-	-	-	-	-	85
Share of results of associates	-	-	-	-	-	-	4,710
Profit for the period							21,710
Three months ended 31 March 2008 (unaudited):							
Revenue							
External revenue	21,711	53,517	25,379	26,498	1,905	-	129,011
Inter-segment revenue	2,913	134	-	-	514	(3,561)	-
Total revenue	24,624	53,651	25,379	26,498	2,420	(3,561)	129,011
Results							
Segment results	10,943	12,404	8,418	5,145	(1,486)	-	35,414
Finance costs	-	-	-	-	-	-	(20,328)
Finance income	-	-	-	-	-	-	1,843
Changes in fair value of investments, net	-	-	-	-	-	-	(3,384)
Share of results of associates	-	-	-	-	-	-	2,961
Profit for the period							16,506

Inter-segment revenues are eliminated on consolidation.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

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

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

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

	<i>Three month period ended 31 March 2009</i>	<i>Three month period ended 31 March 2008</i>
Profit for the period attributable to equity holders of the parent for basic and diluted earnings (AED '000)	<u>10,711</u>	<u>9,976</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	1,203,330	1,203,330
Effect of convertible bond ('000)	<u>674,613</u>	<u>-</u>
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bond ('000)	<u>1,877,943</u>	<u>1,203,330</u>
Basic and diluted earnings per share (AED)	<u>0.01</u>	<u>0.01</u>

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

5 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

In February 2009, the Company obtained a short term interest bearing facility of AED 128.5 million from a local bank, repayable within nine months from the date of signing the arrangement letter. The loan carries interest rate at LIBOR plus a margin of 2.5%. As at 31 March 2009 the Company has fully availed the refinancing facility.

In March 2009, the Company obtained an unsecured Islamic financing arrangement of AED 368 million from a local bank, repayable in a single bullet installment in March 2011. The loan carries interest rate at EIBOR plus a margin of 5.5% to 6.5%. As at 31 March 2009 the Company has fully availed the refinancing facility.

Including the above mentioned financing facilities, the Group made the following total drawdowns and repayments of debt during the period:

	<i>Drawdown AED '000</i>	<i>Repayments AED '000</i>
Interest bearing loans	157,148	62,041
Islamic financing arrangements	368,000	378,735

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2009 (Unaudited)

6 CAPITAL WORK IN PROGRESS

During the three month period ended 31 March 2009 the Group has incurred expenditure of AED 532 million (period ended 31 March 2008: AED 381 million) primarily relating to construction of district cooling plants.

7 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to AED 917 million at the balance sheet date (31 December 2008: AED 1,449 million).

The Company also had capital commitments of AED 831 million (31 December 2008: AED 831 million) in relation to the Company's interest in the joint venture investments.

The notional amount of the Company's currency and interest rate swap and cap deals outstanding at 31 March 2009 was AED 1,924 million (31 December 2008: AED 1,718 million). The notional amount of Company's share in interest rate swap deal of an associate outstanding at 31 March 2009 was AED 100 million (31 December 2008: AED 101 million).

8 CONTINGENCIES

The bankers have issued guarantees on behalf of the Company and its subsidiaries as follows:

	<i>31 March 2009 AED '000</i>	<i>31 December 2008 AED '000</i>
Performance guarantees	46,412	45,686
Advance payment guarantees	10	12,776
Financial guarantees	<u>10,812</u>	<u>45,137</u>
	<u>57,314</u>	<u>103,599</u>