

**NATIONAL CENTRAL COOLING
COMPANY PJSC**

Review report and condensed consolidated
interim financial information
for the nine month period ended
30 September 2018

NATIONAL CENTRAL COOLING COMPANY PJSC

**Review report and condensed consolidated interim financial information
for the nine month period ended 30 September 2018**

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
National Central Cooling Company PJSC
Abu Dhabi, United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Central Cooling Company PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2018 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this 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 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 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 interim financial information is not prepared, in all material respects in accordance with IAS 34, "Interim Financial Reporting".

Deloitte & Touche (M.E.)



Rama Padmanabha Acharya
Registration No. 701
13 November 2018
Abu Dhabi
United Arab Emirates

NATIONAL CENTRAL COOLING COMPANY PJSC

**Condensed consolidated interim statement of profit or loss
for the nine month period ended 30 September 2018 (unaudited)**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Revenues	5	439,377	409,812	1,090,045	1,049,054
Operating costs	5	(267,148)	(262,898)	(596,535)	(589,627)
GROSS PROFIT		172,229	146,914	493,510	459,427
Administrative and other expenses		(45,739)	(39,865)	(148,218)	(141,040)
OPERATING PROFIT		126,490	107,049	345,292	318,387
Finance costs		(45,569)	(39,580)	(132,186)	(121,720)
Finance income		215	53	490	126
Other gains and losses		2,561	195	36,617	1,488
Share of results of associates and joint ventures	8&9	24,718	28,632	70,682	91,021
PROFIT FOR THE PERIOD		108,415	96,349	320,895	289,302
Attributable to:					
Ordinary equity holders of the parent		107,422	97,715	319,334	290,395
Non-controlling interests		993	(1,366)	1,561	(1,093)
		108,415	96,349	320,895	289,302
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	6	0.04	0.04	0.12	0.11

The accompanying notes are an integral part of these condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

**Condensed consolidated interim statement of comprehensive income
for the nine month period ended 30 September 2018 (unaudited)**


	Three months ended 30 September		Nine months ended 30 September	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Profit for the period	108,415	96,349	320,895	289,302
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	5,722	(2,349)	25,916	(16,551)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	5,206	1,026	16,162	(5,229)
Exchange differences arising on translation of overseas operations	18	(21)	288	(51)
Total comprehensive income for the period	119,361	95,005	363,261	267,471
Attributable to:				
Ordinary equity holders of the parent	118,368	96,371	361,700	268,564
Non-controlling interest	993	(1,366)	1,561	(1,093)
	119,361	95,005	363,261	267,471

The accompanying notes are an integral part of these condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of financial position as at 30 September 2018

		30 September 2018 (unaudited) AED '000	31 December 2017 (audited) AED '000
ASSETS	<i>Notes</i>		
Non-current assets			
Capital work in progress	10	183,661	170,831
Property, plant and equipment	10	4,013,926	3,745,386
Goodwill		27,710	27,710
Investments in associates and joint ventures	8 & 9	579,205	826,199
Finance lease receivables	11	2,658,194	2,715,106
		<u>7,462,696</u>	<u>7,485,232</u>
Current assets			
Inventories		30,711	32,648
Accounts receivable and prepayments	17	596,631	516,819
Finance lease receivables	11	247,861	242,638
Cash and bank deposits	12	324,150	418,280
		<u>1,199,353</u>	<u>1,210,385</u>
TOTAL ASSETS		<u>8,662,049</u>	<u>8,695,617</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital		2,715,529	2,715,529
Treasury shares		(2,016)	(2,016)
Statutory reserve		274,104	274,104
Retained earnings		890,429	1,071,952
Foreign currency translation reserve		(2,492)	(2,780)
Cumulative changes in fair value of derivatives in cash flow hedges		4,304	(37,774)
Other reserve		706,920	706,920
Equity attributable to the equity holders of the parent		<u>4,586,778</u>	<u>4,725,935</u>
Non – controlling interests		66,385	71,085
Total equity		<u>4,653,163</u>	<u>4,797,020</u>
Non-current liabilities			
Accounts payable, accruals and provisions		126,359	128,444
Interest bearing loans and borrowings	13	1,668,644	1,844,622
Islamic financing arrangements	13	1,058,121	1,089,880
Employees' end of service benefits		28,540	25,976
		<u>2,881,664</u>	<u>3,088,922</u>
Current liabilities			
Accounts payable, accruals and provisions	17	738,438	575,552
Interest bearing loans and borrowings	13	322,639	164,457
Islamic financing arrangements	13	66,145	65,292
Obligations under finance lease		-	4,374
		<u>1,127,222</u>	<u>809,675</u>
Total liabilities		<u>4,008,886</u>	<u>3,898,597</u>
TOTAL EQUITY AND LIABILITIES		<u>8,662,049</u>	<u>8,695,617</u>



Khaled Abdulla Al Qubaisi
Chairman



Jasim H. Thabet
Chief Executive Officer



Stephen John Ridlington
Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated interim financial information.

NATIONAL CENTRAL COOLING COMPANY PJSC

Condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2018 (unaudited)

	Attributable to equity holders 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	Mandatory convertible bonds - equity component AED '000		
Balance at 1 January 2017 (audited)	738,490	(2,016)	234,092	888,361	(2,715)	(29,551)	1,772,476	70,868	4,438,091
Profit during the period	-	-	-	290,395	-	-	-	(1,093)	289,302
Other comprehensive loss for the period	-	-	-	-	(51)	(21,780)	-	-	(21,831)
Total comprehensive income/(loss) for the period	-	-	-	290,395	(51)	(21,780)	-	(1,093)	267,471
Dividends paid to ordinary shareholders (note 16)	-	-	-	(48,002)	-	-	-	-	(48,002)
Dividends paid to MCB holder (note 16)	-	-	-	(128,508)	-	-	-	-	(128,508)
Conversion of MCB into ordinary shares	1,977,039	-	-	-	-	-	(1,772,476)	-	143,397
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,950)	(1,950)
Balance at 30 September 2017 (unaudited)	2,715,529	(2,016)	234,092	1,002,246	(2,766)	(51,331)	-	67,825	4,670,499
Balance at 1 January 2018 (audited)	2,715,529	(2,016)	274,104	1,071,952	(2,780)	(37,774)	-	71,085	4,797,020
Effect of changes in accounting policy for IFRS 15 (note 8)	-	-	-	(194,030)	-	-	-	-	(194,030)
Effect of changes in accounting policy for IFRS 9 (note 3.2.2)	-	-	-	(81,499)	-	-	-	-	(81,499)
Balance at 1 January 2018 (restated)	2,715,529	(2,016)	274,104	796,423	(2,780)	(37,774)	-	71,085	4,521,491
Profit during the period	-	-	-	319,334	-	-	-	1,561	320,895
Other comprehensive income for the period	-	-	-	-	288	42,078	-	-	42,366
Total comprehensive income for the period	-	-	-	319,334	288	42,078	-	1,561	363,261
Dividends paid to shareholders (note 16)	-	-	-	(217,242)	-	-	-	-	(217,242)
Effect of additional ownership in a subsidiary	-	-	-	(8,086)	-	-	-	(1,061)	(9,147)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(5,200)	(5,200)
Balance at 30 September 2018 (unaudited)	2,715,529	(2,016)	274,104	890,429	(2,492)	4,304	-	66,385	4,655,163

The accompanying notes are an integral part of these condensed consolidated interim financial information

NATIONAL CENTRAL COOLING COMPANY PJSC
**Condensed consolidated interim statement of cash flows
for the nine month period ended 30 September 2018 (unaudited)**

		Nine months ended 30 September	
		2018	2017
	Notes	AED '000	AED '000
OPERATING ACTIVITIES			
Profit for the period		320,895	289,302
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property, plant and equipment		110,852	104,397
Finance lease income	11	(139,067)	(141,119)
Share of results of associates and joint ventures	8&9	(70,682)	(91,021)
Net movement in employees' end of service benefits		2,564	2,188
Other gain		(36,617)	(1,488)
Interest income		(490)	(126)
Finance costs		132,186	121,720
		319,641	283,853
Working capital adjustments:			
Inventories		1,937	(1,226)
Accounts receivable and prepayments		(72,999)	(178,088)
Accounts payable, accruals and provisions		94,288	78,814
Lease rentals received	11	188,810	182,925
Net cash flows from operating activities		531,677	366,278
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(6,322)	(111,961)
Payments for capital work in progress	10	(68,005)	(83,588)
Proceed from partial disposal of an associate	8	40,289	-
Dividends from a joint venture	9	11,500	78,269
Dividends from associates	8	54,102	39,708
Payment for acquisition of additional share in a subsidiary		(4,946)	-
Net cash outflow on acquisition of a subsidiary	7	(88,671)	-
Repayment of loan on acquisition of a subsidiary	7	(163,103)	-
Interest received		522	325
Net cash flows used in investing activities		(224,634)	(77,247)
FINANCING ACTIVITIES			
Interest bearing loans and borrowings received	13	289,428	119,961
Interest bearing loans and borrowings repaid	13	(317,904)	(1,276,730)
Cash coupon paid on mandatory convertible bonds		-	(43,222)
Islamic financing arrangement received		-	1,220,000
Islamic financing arrangement repaid	13	(33,721)	-
Payment for obligations under finance lease		(4,374)	(5,165)
Interest paid		(112,160)	(106,699)
Arrangement fees paid		-	(19,472)
Dividends paid to shareholders	16	(217,242)	(48,002)
Dividends paid to Mandatory Convertible Bond holder	16	-	(128,508)
Dividends paid to non-controlling interests		(5,200)	(1,950)
Net cash flows used in financing activities		(401,173)	(289,787)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(94,130)	(756)
Cash and cash equivalents at 1 January		418,280	389,961
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	12	324,150	389,205

The accompanying notes are 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 2018

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.

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that are required to be applied retrospectively with adjustment to made in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in note 3.2.1, 3.2.2 and 8 of the interim condensed consolidated financial statements.

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IAS 40 Investment properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after January 1, 2018 (continued)

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2018.

2.2 Standards and Interpretations in issue but not yet effective

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

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
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.	January 1, 2021
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments: The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	January 1, 2019
<ul style="list-style-type: none"> - Whether tax treatments should be considered collectively; - Assumptions for taxation authorities' examinations; - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and - The effect of changes in facts and circumstances. 	

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018

2.2 Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Group:	Effective for annual periods beginning on or after
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Amendment to IAS 19 Employee Benefits: The Amendments clarify that: <ul style="list-style-type: none"> - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). 	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	January 1, 2020
Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
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 and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

NATIONAL CENTRAL COOLING COMPANY PJSC**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2018****2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)****2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)**

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated interim financial information in respect of its leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

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 has 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 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 2017. In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017, except for the adoption of the new and amended standards.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

3.2.1 Application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018

3.2 Significant accounting policies (continued)

3.2.1 Application of IFRS 15 Revenue from Contracts with Customers (continued)

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption.

There is no impact on Group's revenue recognition due to application of IFRS 15. However, for one associate, the application of IFRS 15 resulted in revenue recognised on connection fees and upfront capacity charges in prior years being written back to retained earnings. This revenue will be recognised over the remaining life of the relevant contracts. The cumulative impact on the investment in associate and the retained earnings on the group's consolidated interim financial statements is AED 194 million in 2018 as disclosed in note 8.

3.2.2 Application of IFRS 9 Financial instrument

Effective 1 January 2018, the Group has adopted IFRS 9. IFRS 9 replaces IAS 39 and addresses the accounting for financial instruments including hedge accounting. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVTOCI and FVTPL. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The business model assessment was completed based on the facts and circumstances, which existed as at the initial date of application. IFRS 9 eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale. Under IFRS 9, derivative embedded contracts where the host is a financial asset in the scope of IFRS 9 are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The requirements for classification and measurement of financial liabilities under IFRS 9 largely carry forward existing requirements in IAS 39.

IFRS 9 replaces the "incurred loss" model under IAS 39 with an "expected credit loss" model as it relates to the impairment of financial assets. The new impairment model does not apply to equity investments.

IFRS 9 amends the requirements for hedge effectiveness and consequently the application of hedge accounting. The IAS 39 effectiveness test is replaced with a requirement for an economic relationship between the hedged item and the hedging instrument, and for the "hedged ratio" to be the same as that used by the Group for risk management purposes. The new standard requires alignment between the risk management objective of an individual hedging relationship and the risk management strategy of the Group. When assessing hedge effectiveness under IFRS 9, the Group is required to ensure credit risk due to counterparty or own creditworthiness does not dominate the change in fair value of either the hedged item or hedging instrument. Generally, the mechanics of hedge accounting remain unchanged.

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Notes to the condensed consolidated interim financial statements for the nine month period ended 30 September 2018 (continued)

3.2 Significant accounting policies (continued)

3.2.2 Application of IFRS 9 Financial instrument (continued)

Impairment of financial assets

The group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables; and
- Finance lease receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of adoption of IFRS 9 resulted in additional credit loss allowance in trade receivables and finance lease receivable by AED 44.8 million and AED 36.6 million respectively and is disclosed in condensed consolidated interim statement of changes in equity.

Trade receivables and finance lease receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and finance lease receivables.

To measure the expected credit losses, trade receivables and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. Finance lease receivables have substantially the same risk characteristics as the trade receivables. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the lease receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. However, in accordance with the IFRS 9 transitional provisions, the Group has elected not to restate the comparative periods. Financial instruments derecognized prior to the effective date were accounted for in accordance with IAS 39, as permitted under the transitional provisions of IFRS 9.

4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed consolidated interim financial statements 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 these condensed consolidated interim financial statements, 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 2017.

Business combinations

In accordance with International Financial Reporting Standards, on acquisition of a subsidiary, the Group is required to allocate the cost of the business combination by recognising, at fair value, the acquiree's identifiable assets, liabilities and contingent liabilities that meet certain recognition criteria.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

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

In doing so, management have exercised their judgment, based on experience and knowledge of the industry, in determining the applicability of the recognition criteria, the forecasting horizon, the appropriate discount rate, the amortisation timetable and the impairment tests to be applied in future. Management is satisfied that these judgments have resulted in a fair and reasonable estimate of the fair value of the identifiable assets, liabilities and contingent liabilities at the date of the acquisitions.

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 consolidated financial statements and is reviewed by the Group's CFO, CEO and Board of Directors on a quarterly basis. However, Group financing (finance costs and interest income) are managed on a group basis and are not allocated to operating segments.

	Nine month period ended 30 September 2018 (unaudited)				Nine month period ended 30 September 2017 (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	1,033,728	56,317	-	1,090,045	993,513	55,541	-	1,049,054
Inter-segment revenue	-	17,272	(17,272)	-	-	12,046	(12,046)	-
Total revenue	1,033,728	73,589	(17,272)	1,090,045	993,513	67,587	(12,046)	1,049,054
Operating costs	(563,192)	(45,232)	11,889	(596,535)	(553,999)	(42,546)	6,918	(589,627)
Gross profit	470,536	28,357	(5,383)	493,510	439,514	25,041	(5,128)	459,427
Administrative and other expenses	(132,394)	(18,327)	2,503	(148,218)	(121,777)	(21,618)	2,355	(141,040)
Operating profit	338,142	10,030	(2,880)	345,292	317,737	3,243	(2,773)	318,387
Finance costs	-	-	-	(132,186)	-	-	-	(121,720)
Finance income	-	-	-	490	-	-	-	126
Other income	-	-	-	36,617	-	-	-	1,488
Share of results of associates and joint ventures	70,682	-	-	70,682	91,021	-	-	91,021
Profit for the period				320,895				289,302

Inter-segment revenues are eliminated on consolidation.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

5 Segment information (continued)

Segment assets and liabilities are as follows:

	30 Sept 2018				31 Dec 2017			
	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000	Chilled water AED'000	Value chain business AED'000	Unallocated AED'000	Total AED'000
Segment assets	7,934,167	135,901	-	8,070,068	7,660,143	160,047	-	7,820,190
Investments in associates	514,579	-	-	514,579	702,318	-	-	702,318
Investment in joint ventures	64,626	-	-	64,626	123,881	-	-	123,881
Unallocated assets	-	-	12,776	12,776	-	-	49,228	49,228
Total assets	8,513,372	135,901	12,776	8,662,049	8,486,342	160,047	49,228	8,695,617
Segment liabilities	836,082	57,255	-	893,337	674,989	54,980	-	729,969
Unallocated liabilities	-	-	3,115,549	3,115,549	-	-	3,168,624	3,168,624
Total Liabilities	836,082	57,255	3,115,549	4,008,886	674,989	54,980	3,168,624	3,898,593

Unallocated assets represent bank deposits of AED 12.8 million (2017: AED 49.2 million) as these assets are managed on a group basis.

Unallocated liabilities represent interest bearing loans and borrowings of AED 1,991.3 million (2017: AED 2,009.1 million), Islamic financing arrangement of AED 1,124.3 million (2017: 1,155.2) and obligations under finance lease of nil (2017: AED 4.4 million)

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

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

	Three month period ended 30 September		Nine month period ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)	107,422	97,715	319,334	290,395
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	2,713,513	2,713,513	2,713,513	2,713,513
Basic and dilutive earnings per share (AED)	0.04	0.04	0.12	0.11

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

7 Business combination

In March 2018, the Group acquired 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity. The acquisition has been accounted for using step acquisition method in accordance with IFRS 3 Business Combination.

The fair values of the identifiable assets and liabilities of S&T Cool District Cooling Company LLC as at the date of acquisition were:

	<i>AED '000</i>
Assets	
Property, plant and equipment	402,817
Trade and other receivables	30,249
Bank balances and cash	15,135
	<u>448,201</u>
Liabilities	
Loans and borrowings	(163,103)
Accounts payables, advances and accruals	(34,922)
	<u>(198,025)</u>
Fair value of net assets acquired	250,176
Goodwill arising on acquisition (Provisional)(i)	17,873
Purchase consideration	<u>268,049</u>
	<i>AED '000</i>
Fair value of existing 50% share holding	125,088
Less: Carrying value of existing 50% investment	(71,123)
Gain on fair valuation of existing shareholding	<u>53,965</u>

(i) Fair value of identifiable asset is based on future connections, the timing of which is uncertain and therefore goodwill arising on the acquisition is provisional and management has decided to write off the goodwill against the fair valuation gain on the existing shareholding.

The initial purchase 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 fair value of assets and liabilities acquired, and accordingly a corresponding change in goodwill.

The difference amounting to AED 53,965 thousand between the carrying value of the existing share in the acquired company of AED 71,123 thousand and fair value of the existing share of AED 125,088 thousand is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

	<i>AED '000</i>
Consideration to be paid in cash (ii)	103,806
Discounted deferred consideration arrangement	39,155
Fair value of existing share holding	125,088
Purchase consideration	<u>268,049</u>

NATIONAL CENTRAL COOLING COMPANY PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

7 Business combination (continued)

(ii) In addition to cash consideration of AED 103,806 thousand, the Company agreed to repay loan of AED 163,103 thousand to the seller as part of acquisition, which was repaid on 4th April 2018. This payment is included in investing activities in the condensed consolidated interim statement of cash flows.

8 Investments in associates

Movement in investment in associates is as follows:

	AED '000
At 31 December 2017 (as previously reported)	702,318
Impact of implementation of IFRS15 (i)	(194,030)
At 1 January 2018 (restated)	508,288
Share of results for the period	57,082
Dividends received during the period	(54,102)
Carrying value of partial disposal of an associate(ii)	(20,958)
Gain on deemed disposal in an associate(ii)	19,275
Share of changes in fair value of effective cash flow hedges	4,604
Adjustments for inter group transactions	390
At 30 September 2018	514,579

(i) The Group has adopted IFRS 15 from 1 January 2018 and it has resulted in adjustment in value of investment in an associate due to change in revenue recognition of the associate in accordance with the requirements of IFRS 15. The adjustments were accounted for using modified retrospectively approach (see note 3.2.1) as permitted under the transitional provisions of IFRS 15.

(ii) During the period, an associate of the Group, Tabreed District Cooling Company (Saudi), introduced a new shareholder, in part by the issuance of new shares and in part through purchases of existing shares from all the current shareholders of Tabreed District Cooling Company (Saudi). As a result, the Group's holding in Saudi Tabreed was reduced from 25% to 20%. The transaction resulted in a gain of AED 13.3 million (net of tax and transaction costs) on disposal of existing shares to the new shareholder and AED 19.3 million on the issuance of new shares to the new shareholder at a premium. The gain is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

9 Investments in joint ventures

Movement in investments in joint ventures is as follows:

	AED '000
At 1 January 2018	123,881
De-recognition of investment in joint ventures and recognition as subsidiary (note 7)	(71,123)
Share of results for the period	13,600
Dividends received during the period	(11,500)
Share of changes in fair value of effective cash flow hedges	11,558
Adjustments for inter group transactions	(1,790)
At 30 September 2018	64,626

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

10 Capital work in progress and property, plant and equipment

During the nine month period ended 30 September 2018, the Group incurred capital expenditure of AED 99 million (30 September 2017: AED 195.6 million) primarily relating to construction of district cooling plants and distribution networks. During the period, the Group made a provision of AED 33.5 million for slow moving capital inventory and is recorded under 'other gains and losses' in the condensed consolidated interim statement of income. Due to the general economic slowdown, the Group made an interim provision of AED 25.4 million for impairment of its plant in Bahrain which is recorded under 'other gains and losses' in the condensed consolidated interim statement of income.

11 Finance Lease Receivables

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

	AED '000
At 1 January	2,957,744
Impact of implementation of IFRS 9	(36,674)
At 1 January 2018 (restated)	2,921,070
Initial recognition of new finance lease receivables during the period (i)	34,728
Finance lease income	139,067
Lease rentals received	(188,810)
At 30 September 2018	2,906,055
Analysed in the consolidated statement of financial position as follows:	
Current assets	247,861
Non-current assets	2,658,194
	2,906,055

(i) During the period, the Company constructed a new district cooling plant for an existing customer and signed a cooling agreement with the customer. Management has carried out an assessment of the arrangement to provide cooling services to the customer through the plant in accordance with the terms of the agreement and the requirements of the relevant IFRSs, and concluded that the arrangement contains a finance lease with respect to the plant and related distribution network as it transfers substantially all the risk and rewards incidental to the ownership of the plant to the customer.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

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 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)	30 September 2017 AED'000 (unaudited)
Bank balances and cash	311,374	369,053	267,000
Bank deposits	12,776	49,227	122,205
Cash and cash equivalents	324,150	418,280	389,205

Geographical concentration of bank balances and cash and bank deposits is as follows:

	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)	30 September 2017 AED'000 (unaudited)
Within UAE	311,467	407,492	376,160
Outside UAE	12,683	10,788	13,045
	324,150	418,280	389,205

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

13 Interest bearing loans and Islamic financing arrangement

During the period, the Group has made repayments of AED 317.9 million and AED 33.7 million of its interest bearing loans and Islamic financing arrangement respectively. The Group also made a drawdown of AED 289.5 million.

14 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 30 September 2018 but not provided for amounted to AED 105.6 million (31 December 2017: AED 147 million).

Contingencies

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

	At 30 September 2018 AED'000 (unaudited)	At 31 December 2017 AED'000 (audited)
Performance guarantees	115,681	112,588
Advance payment guarantees	633	673
Financial guarantees	-	2,585
	<u>116,314</u>	<u>115,846</u>

15 Related party transactions and balances

Related parties represent associated companies, joint ventures, majority shareholder, directors, key management personnel of the Company, management entities engaged by 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.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

15 Related party transactions and balances (continued)

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

	Nine month period ended 30 September 2018 (unaudited)				Nine month period ended 30 September 2017 (unaudited)			
	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000	Revenue AED'000	Operating costs AED'000	Interest expense AED'000	Other income AED'000
Associated companies	3,740	75,508	-	-	3,599	74,301	-	-
Joint ventures	3,406	-	-	-	3,899	-	-	-
Major shareholder	-	-	-	-	-	-	3,456	-
Associate of major shareholder	-	-	-	-	99,848	-	-	-
Government related departments and institutions	-	-	-	-	23,239	165,513	55,189	-

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

	At 30 September 2018 (unaudited)			
	Accounts Receivable AED'000	Bank balances AED'000	Accounts payables and advances AED'000	Interest bearing Loans AED'000
Associated companies	25,854	-	46,593	-
Joint venture	1,922	-	-	-
	27,776	-	46,593	-
	At 31 December 2017 (audited)			
	Accounts Receivable AED'000	Bank balances AED'000	Accounts payables and advances AED'000	Interest bearing Loans AED'000
Associated companies	27,825	-	33,943	-
Joint venture	3,909	-	-	-
Associate of a majority shareholder	25,477	-	-	-
Government related departments and institutions	5,603	323,290	10,039	1,607,328
	62,814	323,290	43,982	1,607,328

During the period, the Group acquired 50% of the shares of S&T Cool District Cooling Company LLC, from a joint venture partner and became 100% owner of the entity (note 7).

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

15 Related party transactions and balances (continued)

Compensation of key management personnel

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

	Nine month period ended 30 September	
	2018 AED'000 (unaudited)	2017 AED'000 (unaudited)
Short-term benefits	6,038	5,033
Employees' end of service benefits	237	94
	<u>6,275</u>	<u>5,127</u>
Number of key management personnel	<u>5</u>	<u>5</u>

16 Dividends and Board Remuneration

The Board of Directors proposed a cash dividend of 8.0 fils per share pertaining to common shareholders in respect of the fiscal year ended 31 December 2017. The shareholders at the Annual General Meeting held on 7 March 2018 approved the dividend. The dividend comprised of AED 217.2 million to the common shareholders was paid in April 2018.

In 2017, The Board of Directors proposed a cash dividend of 6.5 fils per share pertaining to both common shareholders and mandatory convertible bondholder in respect of the fiscal year ended 31 December 2016. The dividend was approved by the shareholders at the Annual General Meeting held on 6 March 2017. The dividend comprised of AED 48.0 million to the common shareholders and AED 128.5 million to the mandatory convertible bond holder and was paid in April 2017.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2017 was also approved at the Annual General Meeting held on 7 March 2018. Board remuneration of AED 7.1 million for the year ended 31 December 2016 was approved at the previous Annual General Meeting on 6 March 2017.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2018 (continued)

17 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 which also results in increased trade receivable and payable balance as at 30 September 2018 compared to 31 December 2018. 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.

18 Fair value measurement

The fair values of the Group's financial assets and liabilities as at 30 September 2018 are not materially different from the fair values as at 31 December 2017 with the exception of the impact of the adoption of IFRS 9 as disclosed in note 3.2.2.

19 Subsequent event

In October 2018, the Group refinanced its existing corporate financing facility through an issuance of new 7 year Islamic Bonds (Sukuk) of US\$ 500 million listed on the London Stock Exchange and through a new conventional corporate facility of US\$ 250 million from local banks.

20 Investment in Abraaj Holdings

During the period and as at 30 September 2018, the Group had no transactions or any business relationships with the Abraaj Group or its affiliates.

21 Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information of the Group was authorised for issuance by the Board of Directors on 13 November 2018.