

NATIONAL CENTRAL COOLING COMPANY PJSC

Review report and condensed consolidated
interim financial information
for the three-month period ended
31 March 2021

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES**Review report and condensed consolidated interim financial information
for the three-month period ended 31 March 2021**

	Pages
Review report on condensed consolidated interim financial information	1
Condensed consolidated interim statement of profit or loss	2
Condensed consolidated interim statement of comprehensive income	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial information	7 – 22



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 ('the Company') and its subsidiaries (together, 'the Group') as at 31 March 2021 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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
6 May 2021

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

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of profit or loss (unaudited)

	Note	Three-month period ended	
		31 March	
		2021	2020
		AED'000	AED'000
Revenues	5	357,555	294,359
Direct costs	5	(169,581)	(131,174)
Gross profit		187,974	163,185
Impairment provision for trade receivables		-	(10,051)
Administrative and other expenses	5	(53,405)	(48,338)
Operating profit		134,569	104,796
Finance costs	16	(62,199)	(42,834)
Finance income	5	925	507
Other gains and losses, net	5	(2,426)	1,461
Share of results of associates and joint ventures, net	5	12,385	14,041
Profit from continuing operations		83,254	77,971
Profit from discontinued operations	10	6,969	5,541
Profit for the period		90,223	83,512
Attributable to:			
Equity holders of the parent			
Profit from continuing operations		78,567	76,676
Profit from discontinued operations		6,969	5,541
		85,536	82,217
Non-controlling interests			
Profit from continuing operations		4,687	1,295
Profit from discontinued operations		-	-
		4,687	1,295
		90,223	83,512
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders of the parent (AED)		0.029	0.028
Basic and diluted earnings per share from discontinued operations attributable to ordinary equity holders of the parent (AED)		0.003	0.002
Total basic and diluted earnings per share attributable to ordinary equity holders of the parent (AED)	6	0.032	0.030

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of comprehensive income (unaudited)

	Three-month period ended 31 March	
	2021	2020
	AED'000	AED'000
Profit for the period	90,223	83,512
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	38,826	(5,471)
Share of changes in fair value of derivatives of an associate and a joint venture in cash flow hedges	25,174	(34,162)
Total comprehensive income/(loss) for the period	64,000	(39,633)
Total comprehensive income for the period	154,223	43,879
Attributable to:		
Equity holders of the parent		
Profit from continuing operations	142,567	37,043
Profit from discontinued operations	6,969	5,541
	149,536	42,584
Non-controlling interest		
Profit from continuing operations	4,687	1,295
Profit from discontinued operations	-	-
	4,687	1,295
	154,223	43,879

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of financial position


		As at	
		31 March 2021 (unaudited) AED '000	31 December 2020 (audited) AED '000
ASSETS	Note		
Non-current assets			
Capital work in progress	8	339,604	299,489
Property, plant and equipment		4,645,130	4,437,282
Right-of-use assets		205,494	165,469
Intangible assets	9	2,980,241	2,360,127
Investment in associates and joint ventures	10	387,237	358,258
Finance lease receivables	11	2,733,586	2,793,069
		<u>11,291,292</u>	<u>10,413,694</u>
Current assets			
Inventories		45,379	42,420
Trade and other receivables		964,304	898,467
Finance lease receivables	11	345,636	315,581
Cash and bank balances	12	744,832	1,312,894
		<u>2,100,151</u>	<u>2,569,362</u>
Assets held for sale	10	336,854	329,885
TOTAL ASSETS		<u>13,728,297</u>	<u>13,312,941</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital		2,715,529	2,715,529
Treasury shares		(2,016)	(2,016)
Statutory reserve		413,020	413,020
Retained earnings		2,063,301	2,133,906
Foreign currency translation reserve		(1,480)	(1,480)
Cumulative changes in fair value of derivatives in cash flow hedges		(30,078)	(94,078)
Equity attributable to the equity holders of the parent		<u>5,158,276</u>	<u>5,164,881</u>
Non – controlling interests		694,338	710,289
Total equity		<u>5,852,614</u>	<u>5,875,170</u>
Non-current liabilities			
Trade and other payables		131,502	116,727
Interest bearing loans and borrowings	13	2,127,441	2,132,930
Islamic financing arrangements	14	631,082	630,681
Non-convertible Bonds and Sukuks	15	3,640,608	3,639,348
Lease liabilities		213,637	219,599
Employees' end of service benefits		37,067	36,486
		<u>6,781,337</u>	<u>6,775,771</u>
Current liabilities			
Trade and other payables		1,028,687	593,722
Interest bearing loans and borrowings	13	24,583	23,477
Lease liabilities		41,076	44,801
		<u>1,094,346</u>	<u>662,000</u>
Total liabilities		<u>7,875,683</u>	<u>7,437,771</u>
TOTAL EQUITY AND LIABILITIES		<u>13,728,297</u>	<u>13,312,941</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 AND ITS SUBSIDIARIES

Condensed consolidated interim statement of changes in equity

	Attributable to equity holders of the parent						Total AED '000	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			
Balance at 1 January 2020 (audited)	2,715,529	(2,016)	358,466	1,923,249	(1,686)	(48,553)	4,944,989	70,666	5,015,655
Profit for the period	-	-	-	82,217	-	-	82,217	1,295	83,512
Other comprehensive income for the period	-	-	-	-	-	(39,633)	(39,633)	-	(39,633)
Total comprehensive income for the period	-	-	-	82,217	-	(39,633)	42,584	1,295	43,879
Dividend payable to ordinary shareholders (note 19)	-	-	-	(285,131)	-	-	(285,131)	-	(285,131)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(390)	(390)
Balance at 31 March 2020 (unaudited)	<u>2,715,529</u>	<u>(2,016)</u>	<u>358,466</u>	<u>1,720,335</u>	<u>(1,686)</u>	<u>(88,186)</u>	<u>4,702,442</u>	<u>71,571</u>	<u>4,774,013</u>
Balance at 1 January 2021 (audited)	2,715,529	(2,016)	413,020	2,133,906	(1,480)	(94,078)	5,164,881	710,289	5,875,170
Profit for the period	-	-	-	85,536	-	-	85,536	4,687	90,223
Other comprehensive income for the period	-	-	-	-	-	64,000	64,000	-	64,000
Total comprehensive income for the period	-	-	-	85,536	-	64,000	149,536	4,687	154,223
Dividend payable to ordinary shareholders (note 19)	-	-	-	(156,141)	-	-	(156,141)	-	(156,141)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(20,638)	(20,638)
Balance at 31 March 2021 (unaudited)	<u>2,715,529</u>	<u>(2,016)</u>	<u>413,020</u>	<u>2,063,301</u>	<u>(1,480)</u>	<u>(30,078)</u>	<u>5,158,276</u>	<u>694,338</u>	<u>5,852,614</u>

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES

Condensed consolidated interim statement of cash flows (unaudited)

	Note	Three-month period ended	
		31 March	
		2021	2020
		AED '000	AED '000
Operating activities			
Profit from continuing operations		83,254	77,971
Profit from discontinued operations		6,969	5,541
Profit for the period including discontinued operations		90,223	83,512
Non-cash adjustments:			
Depreciation of property, plant and equipment		44,041	38,016
Depreciation of right-of-use assets		5,689	4,992
Amortisation of intangible assets		13,096	-
Finance lease income	11	(47,748)	(53,034)
Share of results of associates and joint ventures including, discontinued operations, net	5	(19,354)	(19,582)
Net movement in employees' end of service benefits		581	119
Finance income	5	(925)	(507)
Finance costs	16	62,199	42,834
Other gains and losses		2,426	(1,461)
Operating cash flows before changes in working capital		150,228	94,889
Working capital changes:			
Inventories		(2,959)	(2,524)
Trade and other receivables		(6,157)	(75,101)
Trade and other payables		(48,945)	(50,744)
Lease rentals received	11	77,176	82,870
Net cash flows generated from operating activities		169,343	49,390
Investing activities			
Term deposits with original maturity of more than 3 months		(50,000)	-
Purchase of property, plant and equipment		(5,482)	(1,903)
Payments for capital work in progress		(40,300)	(52,474)
Dividends from associates and joint ventures		5,751	2,750
Finance income received		1,465	491
Payment for acquisition of shares in subsidiaries	7	(641,328)	-
Net cash flows used in investing activities		(729,894)	(51,136)
Financing activities			
Interest bearing loans and borrowings received		-	2,511,777
Interest bearing loans and borrowings repaid		(6,985)	(5,425)
Principal elements of lease payments		(13,319)	(13,590)
Finance costs paid		(16,569)	(12,124)
Dividends paid to non-controlling interests		(20,638)	(390)
Net cash flows (used in)/ generated from financing activities		(57,511)	2,480,248
Net (decrease)/increase in cash and cash equivalents		(618,062)	2,478,502
Cash and cash equivalents at 1 January		1,312,894	226,902
Cash and cash equivalents at 31 March	12	694,832	2,705,404

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021

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 as amended and is listed on the Dubai Financial Market. The principal activities of the Company and its subsidiaries (the “Group”) are supply of chilled water, operation and maintenance of plants, construction of secondary networks, manufacturing of pre-insulated pipes and design and supervision consultancy.

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

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The Group’s non-convertible bonds and sukuk are listed in the London Stock Exchange (Note 15).

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

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

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these condensed consolidated interim financial information.

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments complement those issued in September 2019 and focus on the effects on financial statements when a Company replaces a previous interest rate benchmark with an alternative benchmark rate as a result of Interbank Offered Rates (IBOR) reform. The Phase 2 amendments are effective for the Group’s fiscal year commencing 1 January 2021, and were adopted as of that date. As of 31 March 2021, applicable interest rate benchmarks in the Group’s agreements have not been replaced. As a result, the adoption of the Phase 2 amendments had no impact on the condensed consolidated interim financial information for the three-month period ended 31 March 2021. Management will continue to monitor relevant developments and will evaluate the impact of the Phase 2 amendments on the condensed consolidated interim financial information as IBOR reform progresses.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (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.

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 - (effective 1 January 2022) The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability;
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective 1 January 2022) Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date;
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 - The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a ‘business’ (as defined in IFRS 3 Business Combinations); and
- Amendment to IAS 16 (effective 1 January 2022) The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

The Group is currently assessing the impact of these standards, and amendments on the future consolidated financial statements of the Group and intends to adopt these, if applicable, when they become effective.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

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 2020. In addition, results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020, except for the adoption of the new and amended standards. The implementation of the new accounting standards and amendments did not have a significant impact on this condensed consolidated interim financial information. The accounting policies for the comparatives are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (unaudited) (continued)

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 2020 except as given below:

Business combinations

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

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 no additional loss allowance has 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.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (unaudited) (continued)

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

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.

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.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

5 Segment information (continued)

	Three-month period ended 31 March 2021 (unaudited)				Three-month period ended 31 March 2020 (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	339,134	18,421	-	357,555	277,271	17,088	-	294,359
Inter-segment revenue	-	7,477	(7,477)	-	-	6,652	(6,652)	-
Total revenue	339,134	25,898	(7,477)	357,555	277,271	23,740	(6,652)	294,359
Direct costs	(155,899)	(14,989)	1,307	(169,581)	(119,022)	(12,602)	450	(131,174)
Gross profit	183,235	10,909	(6,170)	187,974	158,249	11,138	(6,202)	163,185
Impairment provision for trade receivables	-	-	-	-	(10,051)	-	-	(10,051)
Administrative and other expenses	(49,839)	(7,169)	3,603	(53,405)	(43,784)	(8,533)	3,979	(48,338)
Operating profit	133,396	3,740	(2,567)	134,569	104,414	2,605	(2,223)	104,796
Finance costs	(61,975)	(224)	-	(62,199)	(42,707)	(127)	-	(42,834)
Finance income	925	-	-	925	486	21	-	507
Other gains and losses, net	(2,426)	-	-	(2,426)	1,461	-	-	1,461
Share of results of associates and joint ventures, net	12,385	-	-	12,385	14,041	-	-	14,041
Profit from continuing operations				83,254				77,971
Profit from discontinued operations	6,969	-	-	6,969	5,541	-	-	5,541
Profit for the period				90,223				83,512

Inter-segment revenues and expenses are eliminated on consolidation.

	31 March 2021			31 December 2020		
	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	13,592,736	135,561	13,728,297	13,183,024	129,917	13,312,941
Total liabilities	7,804,569	71,114	7,875,683	7,372,803	64,968	7,437,771

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

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

Basic earnings per share is 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.

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

	31 March 2021 AED '000	31 March 2020 AED '000
Profit for the period attributable to ordinary equity holders of the parent for basic earnings (AED '000)		
- From continuing operations	78,567	76,676
- From discontinued operations	6,969	5,541
	<u>85,536</u>	<u>82,217</u>
Weighted average number of shares (excluding treasury shares) outstanding during the period ('000)	<u>2,713,514</u>	<u>2,713,514</u>
Basic earnings per share from continuing operations (AED)	0.029	0.028
Basic earnings per share from discontinued operations (AED)	<u>0.003</u>	<u>0.002</u>
Total basic earnings per share (AED)	<u><u>0.032</u></u>	<u><u>0.030</u></u>

The Company does not have any instruments which would have a dilutive impact on earnings per share. Therefore basic and diluted earnings per share are same for the period ended 31 March 2021 and 2020.

The total earnings per share for the period ended 31 March 2021 would have been AED 0.031 (2020: AED 0.030) if the bonus shares were issued before the end of the reporting period.

7 Business combination

On 18 February 2021, the Group acquired 100% of the shares of Saadiyat Cooling L.L.C. and Saadiyat District Cooling L.L.C., cooling service providers in Saadiyat island in Abu Dhabi, from an Abu Dhabi 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 finalised within the next 12 months. The finalisation 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 the acquired entities at the date of acquisition are as follows:

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

7 Business combination (continued)

	AED '000
Purchase consideration	
Cash consideration (i)	961,762
	961,762
Assets	
Land	30,000
Property, plant and equipment (ii)	210,239
Capital work in progress (note 8)	12,653
Intangible assets: customer contracts (iii) (note 9)	633,210
Right-of-use assets	45,659
Trade and other receivables (iv)	60,210
Trade and other payables	(30,209)
Net assets acquired	961,762

- (i) Out of total consideration of AED 961.7 million, AED 320.4 million was paid subsequent to the quarter ended 31 March 2021, and is recorded under 'trade and other payables'.
- (ii) Property, plant and equipment are recorded at their fair value at the acquisition date.
- (iii) Customer contracts are recorded at their fair value at the acquisition date. This represents the expected cash flows from Saadiyat District Cooling and Saadiyat Cooling L.L.C discounted at the target's Weighted Average Cost of Capital ("WACC"). 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.
- (iv) The fair value and the gross contractual amount for trade receivables acquired was AED 60.2 million, with no loss allowance recognised on acquisition.

Revenue and profit contribution:

The acquired business contributed revenues of AED 8.3 million and net profit of AED 4.1 million to the Group for the period from 18 February 2021 to 31 March 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the quarter ended 31 March 2021 would have been AED 16.6 million and AED 6.4 million, respectively.

8 Capital work in progress

During the three-month period ended 31 March 2021, the Group has incurred capital expenditure of AED 33.6 million (31 March 2020: AED 37.2 million) and AED 12.7 million (note 7) of capital work in progress has been acquired as part of business combination. The capital work in progress primarily relates to construction of district cooling plants and distribution networks.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

9 Intangible assets

	AED '000 Goodwill	AED '000 Customer contracts	AED '000 Total
At 1 January 2020 (audited)	28,527	-	28,527
Acquisition of subsidiary	78,919	2,285,711	2,364,630
Amortisation charge for the year	-	(33,030)	(33,030)
At 1 January 2021 (audited)	107,446	2,252,681	2,360,127
Acquisition of a subsidiary (note 7)	-	633,210	633,210
Amortisation charge for the period	-	(13,096)	(13,096)
At 31 March 2021 (unaudited)	107,446	2,872,795	2,980,241

10 Investment in associates and joint ventures

	At 31 March 2021 AED '000 (unaudited)	At 31 December 2020 AED '000 (audited)
At 1 January	358,258	605,708
Share of results for the period /year from continuing operations	12,385	51,196
Share of results for the period / year from discontinued operations (i)	6,969	31,963
Additions (ii)	-	126,274
Dividends received	(5,751)	(89,526)
Share of changes in fair value of effective cash flow hedges	25,174	(28,509)
Adjustments for inter group transactions	(2,829)	(8,963)
Classified as held for sale (i)	(6,969)	(329,885)
	387,237	358,258

- (i) In December 2020, the Group decided to enter into discussions to explore the sale of its investment in Qatar Central Cooling Company PJSC to the other existing shareholders. The sale is expected to be signed and concluded within the next 12 months. Accordingly, the investment has been classified as held for sale in the condensed consolidated interim financial information for the three-month period ended 31 March 2021. As a result, an amount of AED 336.9 million and AED 7.0 million of share of profit from investment in Qatar Central Cooling Company PJSC for the period ended 31 March 2021 has been reclassified to assets held for sale and profit from discontinued operations, respectively. The investment was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification.
- (ii) During the year 2020, upon completion of the regulatory approvals, the Group recorded acquisition of 8% additional shares purchased from an existing shareholder of Tabreed District Cooling Company (Saudi), at a price of AED 126.3 million. Accordingly, this amount is transferred from 'Advance towards investment in an associate' to 'investment in associates and joint ventures'. The transaction resulted in an increase in the Group's shareholding in Tabreed District Cooling Company (Saudi) from 20% to 28% in 2020.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

11 Finance lease receivables

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

	At 31 March 2021 AED '000 (unaudited)	At 31 December 2020 AED '000 (audited)
At 1 January	3,108,650	3,144,531
Finance lease income	57,016	234,493
Variable lease payment CPI indexation	(9,268)	(33,606)
Total finance lease income (note 3)	47,748	200,887
Lease rentals received	(77,176)	(318,491)
Modification of existing finance lease	-	81,723
	3,079,222	3,108,650

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

	At 31 March 2021 AED '000 (unaudited)	At 31 December 2020 AED '000 (audited)
Current	345,636	315,581
Non-current	2,733,586	2,793,069
	3,079,222	3,108,650

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:

	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Bank balances and cash	601,751	239,031
Bank deposits	143,081	1,073,863
Cash and bank balances	744,832	1,312,894
Less: Bank deposits with original maturity in excess of 3 months	(50,000)	-
Cash and cash equivalents	694,832	1,312,894

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

12 Cash and cash equivalents (continued)

Geographical concentration of cash and cash equivalents is as follows:

	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Within UAE	714,823	1,285,785
Outside UAE	30,009	27,109
	<u>744,832</u>	<u>1,312,894</u>

13 Interest bearing loans and borrowings

	Effective interest rate %	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Term loan 1 (i)	5.75%	66,365	67,558
Term loan 2 (ii)	EIBOR + margin	151,966	157,072
Term loan 3 (iii)	EIBOR + margin	66,484	67,021
Term loan 4 (iv)	LIBOR + margin	1,867,209	1,864,756
Term loan 5 (v)	LIBOR + margin	-	-
		<u>2,152,024</u>	<u>2,156,407</u>

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

	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Current portion	24,583	23,477
Non-current portion	2,127,441	2,132,930
	<u>2,152,024</u>	<u>2,156,407</u>

(i) Term loan 1

Term loan 1 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 5.75% per annum (December 2020: 5.75% per annum). During the period, total repayments of AED 1.2 million were made against this facility (2020: AED 1.7 million).

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

13 Interest bearing loans and borrowings (continued)

(ii) Term loan 2

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 which commenced on March 2017 with a bullet payment of AED 48.1 million in March 2028. During the period, total repayments of AED 5.2 million were made against this facility (2020: AED 9.5 million).

(iii) Term loan 3

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 31 December 2031. During the period, total repayments of AED 0.6 million were made against this facility (2020: AED 2.7 million).

(iv) Term loan 4

During the year 2020, the Group secured a new facility of AED 1,900.4 million (US\$ 517.4 million) from a syndicate of banks 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.

(v) Term loan 5

The Group 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 31 March 2021, the Group has not utilised balance from this revolving facility. This facility is unsecured.

Included in the interest-bearing loans and borrowings is an amount of AED 40.1 million of unamortised transaction cost (31 December 2020: AED 43.1 million).

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

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

14 Islamic financing arrangement

	Effective interest rate %	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Islamic financing arrangement	LIBOR + margin	631,082	630,681

In 2020, the Group secured a new Islamic facility of AED 641.3 million (US\$ 174.6 million) from a syndicate of banks 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. The Group has complied with all the applicable financial covenants throughout the reporting period.

15 Non-convertible Bonds and Sukuk

	31 March 2021 AED '000 (unaudited)	31 December 2020 AED '000 (audited)
Non-convertible Bonds (i)	1,810,326	1,809,361
Non-convertible Sukuk (ii)	1,830,282	1,829,987
	3,640,608	3,639,348

(i) Non-convertible Bonds

In 2020, the Group issued a 7-year investment grade Bonds of US\$ 500 million which is listed on the London Stock Exchange. The Bonds carry coupon rate of 2.5% payable semi-annually. The Bonds are repayable on 31 October 2027. The proceeds of the Bonds were utilised to repay the previous Term Loan and to fund the future growth.

The Bonds are stated net of discount and transaction costs incurred in connection with the Bonds issuance, amounting to AED 27.1 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.

(ii) Non-convertible Sukuk

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

The Sukuk is stated net of discount and transaction costs incurred in connection with the arrangements, amounting to AED 6.2 million, which are amortised to the condensed consolidated interim statement of profit or loss over the repayment period of the Sukuk using effective interest rate method.

There are no covenants applied on non-convertible Bonds and Sukuk, as long as the Group maintains investment grade credit rating status.

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

16 Finance costs

	Three-month period ended	
	31 March	
	2021	2020
	AED '000	AED '000
<i>Interest charged to condensed consolidated interim statement of profit or loss during the period</i>	62,199	42,834
<i>Interest charged to the condensed consolidated interim statement of profit or loss comprises of:</i>		
Interest on interest bearing loans	15,872	11,898
Interest on bonds	11,489	-
Profit on sukuk	25,306	25,306
Profit on Islamic financing arrangement	2,991	-
Amortisation and other charges including finance lease cost	6,541	5,630
	62,199	42,834

17 Commitments and contingencies

Capital commitments

The authorised capital expenditure contracted for at 31 March 2021 but not provided for amounted to AED 194 million (31 December 2020: AED 174 million) and relates to capital work in progress (note 8).

Contingencies

	At 31 March	At 31 December
	2020	2020
	AED '000	AED '000
	(unaudited)	(audited)
Performance guarantees	101,331	96,991
Advance payment guarantees	633	633
Financial guarantees	50	50
	102,014	97,674

18 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:

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

18 Related party transactions and balances (continued)

	Three-month period ended			
	31 March 2021 (unaudited)		31 March 2020 (unaudited)	
	Revenue	Direct costs	Revenue	Direct costs
	AED '000	AED '000	AED '000	AED '000
Associated companies	4,533	15,670	2,780	14,575
Joint Venture	1,216	-	1,155	-
Non-controlling interest shareholders	43,098	-	-	-

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

	31 March 2021 (unaudited)	
	Trade and other receivables	Trade and other payables
	AED '000	AED '000
Associated companies	7,576	25,886
Joint venture	1,871	-
Non-controlling interest shareholders	39,436	263
	48,883	26,149

	31 December 2020 (audited)	
	Trade and other receivables	Trade and other payables
	AED '000	AED '000
Associated companies	7,911	35,618
Joint venture	1,666	-
Non-controlling interest shareholders	41,065	-
	50,642	35,618

Compensation of key management personnel

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

	Three-month period ended 31 March	
	2021	2020
	AED'000	AED'000
	(unaudited)	(unaudited)
Short-term benefits	2,381	1,838
Employees' end of service benefits	42	43
	2,423	1,881
Number of key management personnel	5	5

NATIONAL CENTRAL COOLING COMPANY PJSC AND ITS SUBSIDIARIES
Notes to the condensed consolidated interim financial information
for the three-month period ended 31 March 2021 (continued)

19 Dividends and board remuneration

In 2021, the Board of Directors proposed the distribution of cash dividends of 5.75 fils per share and bonus shares of 2.22% to the shareholders in respect of the fiscal year ended 31 December 2020. The shareholders at the Annual General Assembly Meeting held 21 March 2021 approved the dividend and the bonus shares. Accordingly, the dividend amounted to AED 156.1 million and was paid in April 2021 and the bonus shares of 60,345,092 shares were issued in April 2021.

In 2020, 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.

Furthermore, Board of Directors' remuneration of AED 7.1 million for the year ended 31 December 2020 was also approved at the Annual General Meeting held on 21 March 2021. Board remuneration of AED 7.1 million for the year ended 31 December 2019 was approved at the previous Annual General Meeting held on 15 March 2020.

20 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.

21 Fair value measurement

The carrying values of the Group's financial assets and financial liabilities as at 31 March 2021 are not materially different from their fair values as at 31 December 2020.

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 6 May 2021.