

National Central Cooling Company PJSC

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2008 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of National Central Cooling Company PJSC (the “Company”) and its subsidiaries as at 30 June 2008, comprising of the interim consolidated balance sheet as at 30 June 2008 and the related interim consolidated income statement for the three month and six month periods then ended, and the related interim consolidated statements of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

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

Date
Abu Dhabi

National Central Cooling Company PJSC

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2008 (Unaudited)

	Notes	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
		<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Revenues	3	173,374	121,839	297,922	244,359
Operating costs		<u>(97,024)</u>	<u>(63,611)</u>	<u>(155,091)</u>	<u>(123,972)</u>
GROSS PROFIT		76,350	58,228	142,831	120,387
Salaries and staff related costs		(24,040)	(18,680)	(47,678)	(33,872)
Other administrative expenses		(15,694)	(16,549)	(28,204)	(28,168)
Finance costs	3	(20,991)	(18,987)	(41,319)	(32,148)
Other income		13,615	12,644	17,155	20,728
Share of results of associates	3	3,785	4,970	6,746	5,267
PROFIT FOR THE PERIOD		<u>33,025</u>	<u>21,626</u>	<u>49,531</u>	<u>52,194</u>
Attributable to:					
Equity holders of the parent		23,497	12,719	33,473	34,073
Minority interests		<u>9,528</u>	<u>8,907</u>	<u>16,058</u>	<u>18,121</u>
		<u>33,025</u>	<u>21,626</u>	<u>49,531</u>	<u>52,194</u>
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	4	<u>0.02</u>	<u>0.01</u>	<u>0.02</u>	<u>0.03</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED BALANCE SHEET

At 30 June 2008 (Unaudited)

		<i>(Audited)</i>
		<i>31 December</i>
		<i>2007</i>
	<i>Notes</i>	<i>AED '000</i>
		<i>AED '000</i>
ASSETS		
Non-current assets		
Capital work in progress		1,123,746
Property, plant and equipment	5	2,018,188
Intangible assets		38,344
Investments in associates	6	193,690
Available for sale investments		8,487
Loan to an associate		<u>42,029</u>
		4,415,698
Current assets		
Inventories		34,306
Trade and other receivables		322,751
Financial assets carried at fair value through income statement		117,390
Contract work in progress		179,031
Bank balances and cash	8	<u>430,262</u>
		2,418,867
TOTAL ASSETS		<u>6,834,565</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	9	1,134,000
Treasury shares		(10,050)
Statutory reserve		36,478
Retained earnings		10,730
Foreign currency translation reserve		(145)
Cumulative changes in fair value of derivatives and available for sale investments	10	(8,509)
Convertible bonds – equity component	12	-
Reserve for proposed bonus issue		<u>79,380</u>
		2,547,086
Minority interests		<u>132,971</u>
Total equity		<u>2,711,270</u>
Non-current liabilities		
Accounts payable and accruals		77,444
Interest bearing loans and borrowings	11	1,092,742
Islamic financing arrangements	11	1,099,847
Obligations under finance lease		48,635
Convertible bonds – liability component	12	-
Employees' end of service benefits		<u>11,267</u>
		2,298,888
Current liabilities		
Accounts payable and accruals		672,904
Bank overdrafts	8	61,626
Interest bearing loans and borrowings	11	57,595
Islamic financing arrangements	11	8,334
Convertible bonds – liability component	12	-
Obligations under finance lease		<u>2,975</u>
		1,824,407
Total liabilities		<u>3,133,369</u>
TOTAL EQUITY AND LIABILITIES		<u>6,834,565</u>

Khadem Abdulla Al Qubaisi
CHAIRMAN

Dany Safi
CHIEF EXECUTIVE OFFICER

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008 (Unaudited)

	<i>Six months ended 30 June 2008 AED '000</i>	<i>Six months ended 30 June 2007 AED '000</i>
	<i>Note</i>	
OPERATING ACTIVITIES		
Profit for the period	49,531	52,194
Adjustments for:		
Depreciation of property, plant and equipment	28,640	27,240
Share of results of associates	(5,385)	(5,267)
Gain on disposal of property, plant and equipment	(518)	-
Net movement in employees' end of service benefits	2,305	173
Interest income	(7,064)	(4,785)
Finance costs	41,319	32,148
Loss on disposal of financial assets carried at fair value through income statement	60	-
Changes in fair value relating to financial assets carried at fair value through income statement	1,757	(7,396)
Loss on revaluation of derivative relating to convertible bond	2,300	-
	<u>112,945</u>	<u>94,307</u>
Working capital changes:		
Inventories	(18,192)	(2,029)
Trade and other receivables	(97,494)	12,255
Contract work in progress	32,405	426
Accounts payable and accruals	<u>139,903</u>	<u>74,484</u>
Cash from operations	169,567	179,443
Interest paid	<u>(53,021)</u>	<u>(23,726)</u>
Net cash from operating activities	<u>116,546</u>	<u>155,717</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(56,104)	(17,176)
Proceeds from disposal of property, plant and equipment	1,132	-
Investment in associates	(42,861)	(53,628)
Purchase of intangible assets	-	(10)
Additions to capital work in progress	(921,031)	(402,955)
Proceeds on disposal of financial assets carried at fair value through income statement	43,430	-
Investment in bank deposits	(832,617)	-
Interest received	<u>7,064</u>	<u>4,785</u>
Net cash used in investing activities	<u>(1,800,987)</u>	<u>(468,984)</u>
FINANCING ACTIVITIES		
Interest bearing loans and borrowings received	166,892	330,355
Interest bearing loans and borrowings repaid	(972,020)	(22,142)
Islamic financing arrangement received	1,000,000	-
Islamic financing arrangement repaid	(205)	(20,476)
Proceeds from issue of convertible bonds	1,656,146	-
Changes in prepaid finance cost	(7,284)	2,262
Payments for obligations under finance lease	(1,452)	(1,321)
Dividends paid to minority interests	<u>(14,259)</u>	<u>(13,222)</u>
Net cash from financing activities	<u>1,827,818</u>	<u>275,456</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,377	(37,811)
Cash and cash equivalents at 1 January	<u>368,636</u>	<u>586,188</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	8 <u>512,013</u>	<u>548,377</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2008 (Unaudited)

	Attributable to equity holders of the parent										
	Share capital AED '000	Treasury shares AED '000	Statutory reserve AED '000	Retained earnings AED '000	Foreign currency translation reserve AED '000	Cumulative changes in fair value of derivatives available for sale investments AED '000	Convertible bonds - equity component AED '000	Reserve for proposed bonus issue AED '000	Total AED '000	Minority interests AED '000	Total equity AED '000
Balance at 1 January 2007	1,050,000	(10,050)	27,303	27,378	(374)	9,500	-	84,000	1,187,757	121,938	1,309,695
Net movement in fair value of cash flow hedges	-	-	-	-	-	(87)	-	-	(87)	-	(87)
Gain on revaluation of available for sale investments	-	-	-	-	-	2,500	-	-	2,500	-	2,500
Total income and (expense) for the period recognised directly in equity	-	-	-	34,073	-	2,413	-	-	2,413	-	2,413
Profit for the period	-	-	-	34,073	-	-	-	-	34,073	18,121	52,194
Total income and (expense) for the period	-	-	-	34,073	-	2,413	-	-	36,486	18,121	54,607
Bonus shares issued	84,000	-	-	-	-	-	(84,000)	-	-	-	-
Dividend paid to minority interest shareholders	-	-	-	-	-	-	-	-	-	(13,222)	(13,222)
Balance at 30 June 2007	1,134,000	(10,050)	27,303	61,451	(374)	11,913	-	-	1,224,243	126,837	1,351,080
Balance at 1 January 2008	1,134,000	(10,050)	36,478	10,730	(145)	(8,509)	-	79,380	1,241,884	132,971	1,374,855
Net movement in fair value of cash flow hedges	-	-	-	-	-	(27,910)	-	-	(27,910)	-	(27,910)
Net movement in fair value of available for sale investments	-	-	-	-	-	(1,519)	-	-	(1,519)	-	(1,519)
Exchange difference arising on translation of overseas operations	-	-	-	-	(521)	-	-	-	(521)	-	(521)
Total expense for the period recognised directly in equity	-	-	-	-	(521)	(29,429)	-	-	(29,950)	-	(29,950)
Profit for the period	-	-	-	33,473	-	-	-	-	33,473	16,058	49,531
Total income and (expense) for the period	-	-	-	33,473	(521)	(29,429)	-	-	3,523	16,058	19,581
Share capital injection by minority interest shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	29,414	29,414
Convertible bonds issued	-	-	-	-	-	-	1,301,679	-	1,301,679	-	1,301,679
Dividend paid to minority interest shareholders	-	-	-	-	-	-	-	-	-	(14,259)	(14,259)
Bonus shares issued	79,380	-	-	-	-	-	(79,380)	-	-	-	-
Balance at 30 June 2008	1,213,380	(10,050)	36,478	44,203	(666)	(37,938)	1,301,679	-	2,547,086	164,184	2,711,270

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2008 (Unaudited)

1 ACTIVITIES

National Central Cooling Company PJSC (the “Company”) is registered in the United Arab Emirates as a Public Joint Stock Company pursuant to the U.A.E. Commercial Companies Law No. 8 of 1984 (as amended). The principal activities of the Company are to construct, own, assemble, install, operate and maintain cooling and air conditioning systems. In addition, the Company’s activities include the distribution and sale of chilled water for use in district cooling technologies.

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

2.1 ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2007.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 December 2007. In addition, results for the six months ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

3 SEGMENTAL ANALYSIS

	<i>Services AED '000</i>	<i>Chilled water AED '000</i>	<i>Contracting AED '000</i>	<i>Manufacturing AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
Six months ended 30 June 2008:						
Revenue						
External revenue	57,721	111,524	62,493	66,184	-	297,922
Inter-segment sales	<u>6,769</u>	-	-	-	<u>(6,769)</u>	-
Total revenue	<u>64,490</u>	<u>111,524</u>	<u>62,493</u>	<u>66,184</u>	<u>(6,769)</u>	<u>297,922</u>
Result						
Segment result	<u>29,846</u>	<u>21,044</u>	<u>12,454</u>	<u>15,513</u>	-	78,857
Finance costs	-	-	-	-	-	(41,319)
Interest income and (loss) / gain on investment, net	-	-	-	-	-	5,247
Share of results of associates	-	6,746	-	-	-	<u>6,746</u>
Profit for the period						<u>49,531</u>
Six months ended 30 June 2007:						
Revenue						
External revenue	47,969	85,084	27,784	83,522	-	244,359
Inter-segment sales	<u>5,284</u>	-	-	-	<u>(5,284)</u>	-
Total revenue	<u>53,253</u>	<u>85,084</u>	<u>27,784</u>	<u>83,522</u>	<u>(5,284)</u>	<u>244,359</u>
Result						
Segment result	<u>26,260</u>	<u>13,231</u>	<u>5,793</u>	<u>21,610</u>	-	66,894
Finance costs	-	-	-	-	-	(32,148)
Interest income and (loss) / gain on investment, net	-	-	-	-	-	12,181
Share of results of associates	-	5,267	-	-	-	<u>5,267</u>
Profit for the period						<u>52,194</u>
Other information						
At 30 June 2008:						
Segment assets	111,517	4,544,212	318,170	157,643	-	5,131,542
Investments in associates	-	237,579	-	-	-	237,579
Unallocated assets	-	-	-	-	1,465,444	1,465,444
Total assets	<u>111,517</u>	<u>4,781,791</u>	<u>318,170</u>	<u>157,643</u>	<u>1,465,444</u>	<u>6,834,565</u>
Segment liabilities	66,575	382,089	413,842	24,275	-	886,781
Unallocated liabilities	-	-	-	-	3,236,514	3,236,514
Total liabilities	<u>66,575</u>	<u>382,089</u>	<u>413,842</u>	<u>24,275</u>	<u>3,236,514</u>	<u>4,123,295</u>
At 31 December 2007:						
Segment assets	116,691	3,481,007	228,167	113,395	-	3,939,260
Investments in associates	-	193,690	-	-	-	193,690
Unallocated assets	-	-	-	-	375,274	375,274
Total assets	<u>116,691</u>	<u>3,674,697</u>	<u>228,167</u>	<u>113,395</u>	<u>375,274</u>	<u>4,508,224</u>
Segment liabilities	27,114	486,379	233,102	15,020	-	761,615
Unallocated liabilities	-	-	-	-	2,371,754	2,371,754
Total liabilities	<u>27,114</u>	<u>486,379</u>	<u>233,102</u>	<u>15,020</u>	<u>2,371,754</u>	<u>3,133,369</u>
Six months ended 30 June 2008:						
<i>Capital expenditure:</i>						
Property, plant and equipment	<u>946</u>	<u>54,484</u>	<u>347</u>	<u>327</u>	-	<u>56,104</u>
Capital work in progress	-	<u>906,073</u>	-	<u>15,921</u>	-	<u>921,994</u>
Depreciation	<u>244</u>	<u>27,372</u>	<u>106</u>	<u>918</u>	-	<u>28,640</u>
Six months ended 30 June 2007:						
<i>Capital expenditure:</i>						
Property, plant and equipment	<u>314</u>	<u>15,552</u>	<u>4</u>	<u>1,306</u>	-	<u>17,176</u>
Capital work in progress	-	<u>391,126</u>	-	<u>11,829</u>	-	<u>402,955</u>
Depreciation	<u>236</u>	<u>25,959</u>	<u>195</u>	<u>850</u>	-	<u>27,240</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

4 BASIC AND DILUTED EARNINGS PER SHARE

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

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Profit for the period attributable to equity holders of the parent for basic and diluted earnings (AED '000)	<u>23,497</u>	<u>12,719</u>	<u>33,473</u>	<u>34,073</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period ('000)	<u>1,203,330</u>	1,203,330	<u>1,203,330</u>	1,203,330
Effect of convertible bonds ('000)	<u>314,815</u>	-	<u>157,407</u>	-
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of convertible bonds ('000)	<u>1,518,145</u>	<u>1,203,330</u>	<u>1,360,737</u>	<u>1,203,330</u>
Basic and diluted earnings per share (AED)	<u>0.02</u>	<u>0.01</u>	<u>0.02</u>	<u>0.03</u>

The weighted average number of ordinary shares in issue, used in the determination of the basic and diluted earnings per share for the three months and six months periods ended 30 June 2007 has been adjusted for the effect of the bonus share issue in 2008.

Basic and diluted earning per share has been calculated on the basis of maximum number of shares that may be issued for convertible bonds (note 12).

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Land, plant and buildings</i>	<i>Furniture and fixtures</i>	<i>Office equipment and instruments</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Cost at 30 June 2008	2,587,641	8,202	22,668	2,760	2,621,271
Accumulated depreciation at 30 June 2008	<u>(171,298)</u>	<u>(6,471)</u>	<u>(12,485)</u>	<u>(1,420)</u>	<u>(191,674)</u>
Net carrying amount at 30 June 2008 before provision for impairment	2,416,343	1,731	10,183	1,340	2,429,597
Provision for impairment	<u>(197)</u>	-	-	-	<u>(197)</u>
Net carrying amount:					
At 30 June 2008	<u>2,416,146</u>	<u>1,731</u>	<u>10,183</u>	<u>1,340</u>	<u>2,429,400</u>
At 31 December 2007	<u>2,004,339</u>	<u>2,168</u>	<u>10,606</u>	<u>1,075</u>	<u>2,018,188</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

6 INVESTMENTS IN ASSOCIATES

Tabreed invested an amount of AED 42.9 million representing its share of share capital issued by the associates during the period as follows:

	<i>30 June 2008 AED '000</i>	<i>30 June 2007 AED '000</i>
Tabreed District Cooling Company (Saudi)	24,515	-
Jordanian Company for Central Energy (PLS)	18,346	-
Qatar Central Cooling Company PJSC	<u>-</u>	<u>53,628</u>
	<u>42,861</u>	<u>53,628</u>

7 INVESTMENTS IN SUBSIDIARIES

During the period, the Company invested an amount of AED 87.1 million representing the share capital issued by the subsidiaries as follows:

	<i>30 June 2008 AED '000</i>	<i>30 June 2007 AED '000</i>
Tabreed Oman SAOC	38,350	-
Bahrain District Cooling Company	<u>48,747</u>	<u>-</u>
	<u>87,097</u>	<u>-</u>

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim consolidated cash flow statement consist of following balance sheet amounts:

	<i>30 June 2008 AED '000</i>	<i>30 June 2007 AED '000</i>
Bank balances and cash	376,083	529,593
Bank deposits	<u>1,351,272</u>	<u>75,448</u>
	1,727,355	605,041
Bank overdrafts	(382,725)	(56,664)
Bank deposits with maturities in excess of three months	<u>(832,617)</u>	<u>-</u>
	<u>512,013</u>	<u>548,377</u>

All bank deposits represent deposits with commercial banks with original maturity of less than 12 months. They are mainly denominated in AED and attract a fixed rate of interest ranging from 2.5% to 4.5% per annum.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

8 CASH AND CASH EQUIVALENTS continued

Significant non-cash transactions which have been excluded from the interim consolidated cash flow statement are as follows:

	<i>30 June 2008 AED '000</i>	<i>30 June 2007 AED '000</i>
Fair value adjustment for derivatives	(23,553)	(87)
Fair value adjustment for derivatives of associates	(4,357)	-
Bonus shares issue	79,380	84,000
Transfer from capital work in progress to property, plant and equipment	384,362	400,974
Movement in foreign currency translation reserve	(521)	-
Unrealised loss on available for sale investment	1,519	2,500
Interest payable	31,698	53,943
Share capital injection by minority interest shareholders of subsidiaries	29,414	-
Adjustment of profit resulting from transactions with associates	(1,361)	-
Accretion expense on convertible bond – capital work in progress	(963)	-

9 SHARE CAPITAL

	<i>30 June 2008 AED '000</i>	<i>31 December 2007 AED '000</i>
Authorised, issued and fully paid up share capital		
1,213,380,000 ordinary shares at AED 1 each		
(31 December 2007: 1,134,000,000 ordinary shares of 1 each)	<u>1,213,380</u>	<u>1,134,000</u>

At the Annual General Meeting held in March 2008, the shareholders approved the issue of bonus shares amounting to AED 79.38 million. The registration of the bonus shares was completed in Company's share register on 24 March 2008. Legal formalities are in progress to revise the Article of Association of the Company for the increase in the share capital.

10 CUMULATIVE CHANGES IN FAIR VALUE OF DERIVATIVES AND AVAILABLE FOR SALE INVESTMENTS

	<i>Cumulative changes in fair value of derivatives AED '000</i>	<i>Cumulative changes in available for sale investments AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2007	9,500	-	9,500
Net movement in fair value of cash flow hedges	(87)	-	(87)
Gain on revaluation of available for sale investments	-	<u>2,500</u>	<u>2,500</u>
Balance at 30 June 2007	<u>9,413</u>	<u>2,500</u>	<u>11,913</u>
Balance at 1 January 2008	(15,116)	6,607	(8,509)
Net movement in fair value of cash flow hedges	(27,910)	-	(27,910)
Loss on revaluation of available for sale investments	-	(1,519)	(1,519)
Balance at 30 June 2008	<u>(43,026)</u>	<u>5,088</u>	<u>(37,938)</u>

Included in the movement in fair value of cash flow hedges is a debit amount of AED 4.4 million (30 June 2007: AED nil) relating to the Company's share in the movement in fair value of cash flow hedges in an associate.

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

11 INTEREST BEARING LOANS AND BORROWINGS AND ISLAMIC FINANCING ARRANGEMENTS

Borrowings and repayment of debt

In May 2008, the Company refinanced one of its interest bearing loans and borrowings into an Islamic Ijara financing with its existing lender by rescheduling the total facility amount from AED 700 million to AED 1,000 million which is now repayable in semi annual payments, commencing from November 2008 with the last instalment due in May 2020. The loan carries interest rate at EIBOR plus a margin of 1.2% to 1.5%. As at 30 June 2008 the Company has fully availed the refinancing facility. The loan facility is secured against certain plants and distribution assets of the Company.

Including the above mentioned refinancing facility, the Company and its subsidiaries made the following drawdown and repayments of debt during the period:

	<i>Repayments</i> <i>AED '000</i>	<i>Drawdown</i> <i>AED '000</i>
Interest bearing loans	972,020	166,892
Islamic financing arrangements	205	1,000,000

12 CONVERTIBLE BONDS

In May 2008, the Company issued mandatory convertible bonds in the form of trust certificates for a total value of AED 1,700 million, maturing in May 2011. The bonds bear interest at a fixed rate of 7.25% per annum, payable annually in arrears, commencing on 19 May 2009. Transaction costs in connection with the issuance of the bonds amounted to AED 43.8 million.

The bonds shall be converted into ordinary shares of the Company based on a specified minimum and maximum exchange ratio. The bonds are subordinated in right of payment to the claims of creditors of the Company.

The liability component of the bond of AED 346.4 million represents present value of annual coupon payments due at the rate of 7.5%, payable in arrears annually. The present value has been calculated using a market rate for a bond with similar characteristics, but without the condition of mandatory conversion into ordinary shares of the Company at the redemption date. Also included in the liability component of mandatory convertible bonds is fair value of a derivative liability of AED 17.3 million (on inception), representing the element of variation in the number of shares that will be issued at the conversion date, based on the market price of Company's shares. Total liability in the balance sheet has been presented, net of allocated transaction costs of AED 9 million.

The remainder of the proceeds have been allocated to an equity component, recognised and included in shareholders' equity amounting to AED 1,302 million, net of allocated transaction costs of AED 34.64 million.

A reconciliation between the amounts presented in balance sheet is as follows:

	<i>Convertible</i> <i>bonds -</i> <i>liability</i> <i>component</i> <i>AED '000</i>	<i>Convertible</i> <i>bonds -</i> <i>equity</i> <i>component</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Present value of annual coupon payments	346,378	-	346,378
Fair value of derivative liability	17,300	-	17,300
Equity component	-	1,336,322	1,336,322
Allocated prepaid finance costs	<u>(9,211)</u>	<u>(34,643)</u>	<u>(43,854)</u>
On inception	354,467	1,301,679	1,656,146
Changes in fair value of derivative liability	2,300	-	2,300
Accretion expense	963	-	963
Amortisation of transaction costs – capital work in progress	<u>256</u>	<u>-</u>	<u>256</u>
Balance at 30 June 2008	<u>357,986</u>	<u>1,301,679</u>	<u>1,659,665</u>

National Central Cooling Company PJSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2008 (Unaudited)

12 CONVERTIBLE BONDS continued

Analysed on the balance sheet as follows

	<i>Convertible bonds liability component AED '000</i>
Less than one year	117,163
More than one year	<u>240,823</u>
	<u>357,986</u>

13 COMMITMENTS

The Board of Directors have authorised future capital expenditure amounting to AED 3,001 million at the balance sheet date (31 December 2007 AED 2,962 million).

The Company also had capital commitments of AED 1,105 million (31 December 2007: AED 1,105 million) in relation to the Company's interest in the joint venture investments.

The notional amount of the Company's interest rate swap and cap deals outstanding at 30 June 2008 was AED 1,953 million (31 December 2007: AED 1,475 million). The notional amount of Company's share in interest rate swap deal of an associate outstanding at 30 June 2008 was AED 102 million (31 December 2007: AED nil).

14 CONTINGENCIES

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

	<i>30 June 2008 AED '000</i>	<i>31 December 2007 AED '000</i>
Performance guarantees	32,634	28,695
Advance payment guarantees	5,167	70
Financial guarantees	<u>4,189</u>	<u>3,922</u>
	<u>41,990</u>	<u>32,687</u>