

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated financial statements
For the three month and six-month periods ended 30 June 2023
(unaudited)

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Directors' report
for the three-month and six-month period ended 30 June 2023

Directors' report

The Board of Directors present their report and interim condensed consolidated financial statements of Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation) (the "Company") and its subsidiaries (together referred to as the "Group") for the three-month and six-month period ended 30 June 2023.

Principal activities

The principal activities of the Group are the provision of district cooling services, operations and maintenance of central cooling plants and related distribution networks and manufacturing of pre-insulated pipes for district cooling services.

Financial performance

The Group achieved a turnover of AED 1,224,831 thousand during the six-month period ended 30 June 2023, which represented a growth of 6.1% compared to the same period last year and achieved an operating profit of AED 477,468 thousand, which represented a growth of 8.7% compared to the same period last year. The net profit attributable to the equity holders of the Company amounted to AED 402,770 thousand for six-month period ended 30 June 2023.

Share capital

The paid-up capital of the Company is AED 1,000,000 thousand consisting of 10,000,000 thousand shares of AED 0.10 each. There has been no change in the capital structure of the Company during the three-month period ended 30 June 2023.

Transfer to statutory reserve

The transfer of profit to the statutory reserve has been suspended as the reserve has reached 50% of the paid-up share capital in prior years.

Dividend

No interim dividend proposed for the three-month and six-month period ended 30 June 2023.

Outlook

As per UAE Central Bank, the UAE's economy is expected to achieve 4.5% of non-oil economic growth by the end of this year. The UAE District Cooling Market is projected to grow at a CAGR of around 10.12% during the forecast period, i.e., 2023-28.

Due to the accompanying cost-efficiency and long-term service, many businesses in the country are implementing district cooling systems. As a result of using 50% less energy compared to traditional cooling systems, district cooling systems require less initial expenditure and ongoing maintenance.

The UAE is taking the lead in the development of district cooling as a significant energy-efficient utility sector chosen by the governments of the Gulf nations. Empower is poised to utilize the opportunity by expanding its foot print across UAE and also explore other expansion opportunities. The recent acquisition of Dubai Airport District Cooling Asset is justifying this notion.

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Directors' report
for the three-month and six-month period ended 30 June 2023 (continued)

Outlook (continued)

During the period ended 30 June 2023, Empower signed an agreement with Sobha Realty, one of UAE's leading premium real estate developers, to provide environmental friendly district cooling services to the Sobha Hartland master community with a capacity of 17,000 refrigeration tons (RT) that is expected to be connected in the future.

Dubai Airport District Cooling Plants

In May 2023, Empower signed a Share Purchase and Sale agreement (SPA) and a Shareholders Agreement with M/s. Dubai Aviation City Corporation (DACC) to acquire 85% shares in DXB COOLCO FZCO (DACOOL CO), who is the district cooling service provider for Dubai Airport for a period of 35 years from the commencement date of the agreement. DACOOL CO secured the concession rights for providing district cooling services to Dubai Airport through a Master Concession Agreement (MCA) signed with DACC on 18th May 2023. The transaction was completed in the month of July 2023 with DACOOL CO operations forming part of Empower's Group.

Auditors

The interim condensed consolidated statement of the Group were reviewed by PricewaterhouseCoopers, who were re-appointed as external auditors of the Group for the year 2023 in the Annual General Assembly meeting conducted on 29 March 2023.

On behalf of the Board



H.E Saeed Mohammed Ahmad Al Tayer
Chairman
3 August 2023



Review report on interim condensed consolidated financial statements to the board of directors of Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation) ("the Company") and its subsidiaries (together, "the Group") as at 30 June 2023 and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. 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 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Limited Partnership Dubai Branch
Dubai, United Arab Emirates

03 AUG 2023

Murad Alnsour
Registered Auditor Number 1301
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Jacques Fakhoury, Douglas O'Mahony, Wassim El Afchal, Murad Alnsour, Rami Sarhan and Virendra Dhirajlal Lodhia are registered as practicing auditors with the UAE Ministry of Economy

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of financial position

		As at	
		30 June 2023	31 December 2022
	Note	AED'000 Unaudited	AED'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	6,993,351	6,993,939
Right-of-use assets		2,218	2,943
Investment properties	10	80,431	72,859
Intangible assets	7	346,061	352,139
Financial assets at amortised cost	8	298,777	301,003
Financial assets at fair value through other comprehensive income	9	53,898	52,911
Investment in a joint venture		307	307
		<u>7,775,043</u>	<u>7,776,101</u>
Current assets			
Inventories		46,085	46,151
Trade and other receivables	11	448,448	311,965
Due from related parties	13	10,588	31,396
Financial assets at amortised cost	8	4,228	4,154
Term deposits	14	17,000	11,300
Cash and cash equivalents	14	1,320,208	1,473,908
		<u>1,846,557</u>	<u>1,878,874</u>
Total assets		<u>9,621,600</u>	<u>9,654,975</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Other reserves		15,380	5,836
Contributed capital		82,190	82,190
Retained earnings		1,422,361	1,444,591
		<u>3,019,931</u>	<u>3,032,617</u>
Non-controlling interests		2,311	2,125
Total equity		<u>3,022,242</u>	<u>3,034,742</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	4,491,029	4,489,586
Government grant		306,948	308,338
Provision for employees' end of service benefits		50,248	56,035
Retentions payable	16	19,879	5,257
Lease liabilities		624	729
		<u>4,868,728</u>	<u>4,859,945</u>
Current liabilities			
Trade and other payables	16	1,663,044	1,497,509
Due to related parties	13	62,689	257,267
Government grant		3,170	3,170
Lease liabilities		1,727	2,342
		<u>1,730,630</u>	<u>1,760,288</u>
Total liabilities		<u>6,599,358</u>	<u>6,620,233</u>
Total equity and liabilities		<u>9,621,600</u>	<u>9,654,975</u>

To the best of our knowledge, the interim condensed consolidated financial statements are prepared, in all material respects, in accordance with IAS 34. The interim condensed consolidated financial statements were approved by the Board of Directors on 3 August 2023 and were signed on their behalf by:

.....
Chief Executive Officer

.....
Chairman

The notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation P.J.S.C
(formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2023	2022	2023	2022
		AED'000 Unaudited	AED'000 Unaudited	AED'000 Unaudited	AED'000 Unaudited
Revenue	17	730,557	687,986	1,224,831	1,154,257
Interest income on financial asset at amortised cost	8	4,565	4,676	9,080	9,251
Cost of sales	19	(408,801)	(379,882)	(653,199)	(615,175)
Gross profit		326,321	312,780	580,712	548,333
General and administrative expenses	20	(51,447)	(52,466)	(106,184)	(104,408)
Provision for expected credit losses	11	-	(7,395)	-	(7,395)
Other income		1,742	1,212	2,940	2,708
Operating profit		276,616	254,131	477,468	439,238
Finance income		14,482	8,972	32,012	11,836
Finance costs		(55,501)	(12,674)	(106,524)	(19,360)
Finance costs – net		(41,019)	(3,702)	(74,512)	(7,524)
Net profit for the period		235,597	250,429	402,956	431,714
Profit attributable to:					
Equity holders of the Company		235,509	250,420	402,770	431,646
Non-controlling interests		88	9	186	68
		235,597	250,429	402,956	431,714
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (AED)	24	0.0236	0.0250	0.0403	0.0432
Profit for the period		235,597	250,429	402,956	431,714
Other comprehensive income/(loss)					
<i>Items that will not be reclassified to profit or loss</i>					
Changes in fair value of financial assets at fair value through other comprehensive income		328	(3,383)	986	(5,876)
Remeasurement of post-employment benefit obligations		8,446	-	8,558	-
Other comprehensive income/(loss) for the period		8,774	(3,383)	9,544	(5,876)
Total comprehensive income for the period		244,371	247,046	412,500	425,838
Total comprehensive income attributable to:					
Equity holders of the Company		244,283	247,037	412,314	425,770
Non-controlling interests		88	9	186	68
		244,371	247,046	412,500	425,838

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of changes in equity

	Attributable to equity holders of the Company					
	Share capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Non-controlling interests AED'000
Note						
At 1 January 2023	1,000,000	500,000	5,836	1,444,591	82,190	2,125
Total comprehensive income for the period					3,032,617	3,034,742
Profit for the period	-	-	-	402,770	-	186
Other comprehensive income						
Other comprehensive income for the period	-	-	9,544	-	-	-
Total comprehensive income for the period	-	-	9,544	402,770	-	186
Transaction with owners in their capacity as owners:						
Dividends	-	-	-	(425,000)	-	-
At 30 June 2023 (unaudited)	1,000,000	500,000	15,380	1,422,361	82,190	2,311
At 1 January 2022	1,000,000	500,000	2,741	3,844,024	82,190	1,937
Total comprehensive income for the period					5,428,955	5,430,892
Profit for the period	-	-	-	431,646	-	68
Other comprehensive income						
Other comprehensive loss for the period	-	-	(5,876)	-	-	-
Total comprehensive income for the period	-	-	(5,876)	431,646	-	68
Transaction with owners in their capacity as owners:						
Dividends	-	-	-	(500,000)	-	-
At 30 June 2022 (unaudited)	1,000,000	500,000	(3,135)	3,775,670	82,190	2,005

The notes on pages 8 to 27 form an integral part of these interim condensed consolidated financial statements

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Interim condensed consolidated statement of cash flows

	Note	Six-month period ended 30 June	
		2023	2022
		AED'000 Unaudited	AED'000 Unaudited
Cash flows from operating activities			
Profit for the period		402,956	431,714
Adjustments for:			
Depreciation of property, plant and equipment	6	172,205	157,091
Depreciation of right-of-use assets		1,591	2,320
Impairment of trade receivables	11	-	7,395
Settlement of financial assets	8	11,232	11,232
Amortisation of intangible assets	7	6,078	6,078
Amortization of borrowings arrangement fee		1,443	2,041
Provision for employees' end of service benefits		3,498	2,711
Interest on lease liability		70	291
Interest on financial asset	8	(9,080)	(9,251)
Finance income		(32,012)	(11,836)
Finance costs net of arrangement fee		105,011	17,028
Government grant income		(1,390)	(1,390)
Operating cash flows before changes in working capital and Payment of employees' end of service benefits		661,602	615,424
Changes in working capital:			
Inventories		68	1,556
Trade and other receivables		(139,671)	(129,466)
Due from related parties		20,808	(9,353)
Trade and other payables		199,593	165,003
Due to related parties		(194,578)	(33,366)
Cash generated from operations		547,822	609,798
Payment of employees' end of service benefits		(727)	(296)
Net cash inflow from operating activities		547,095	609,502
Cash flows from investing activities			
Purchase of property, plant and equipment, net of project cost accruals		(187,866)	(220,895)
Additions to investment properties		(7,573)	-
Short-term deposits (more than 3 months) invested		(5,700)	(208,800)
Interest received		32,012	11,836
Net cash outflow from investing activities		(169,127)	(417,859)
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee		-	917,319
Lease payments		(1,657)	(2,739)
Interest paid		(105,011)	(17,028)
Dividends paid	12	(425,000)	(500,000)
Net cash (outflow) / inflow from financing activities		(531,668)	397,552
Net (decrease) / increase in cash and cash equivalents		(153,700)	589,195
Cash and cash equivalents, beginning of the period		1,473,908	1,245,588
Cash and cash equivalents, end of the period	14	1,320,208	1,834,783

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023

1 Establishment and operations

Emirates Central Cooling Systems Corporation P.J.S.C. ("EMPOWER" or "the Company") was established on 23 November 2003 in accordance with Article 3 of Law No. (10) "Emirates Central Cooling Systems Corporation Incorporation Law for the year 2003" ("the Decree"). The Company was established as a joint venture between Dubai Electricity and Water Authority PJSC ("DEWA"), which is ultimately owned by the Government of Dubai ("Ultimate Parent") and the Dubai Development Authority (later transferred to TECOM Investments FZ-LLC ("TECOM")). Empower began commercial operations on 15 February 2004, and its principal activities are the provision of district cooling services and management, operation and maintenance of central cooling plants and related distribution networks.

In 2009, DEWA increased its shareholding in the Company to 70% and reduced TECOM's interest to 30%, as formalized through Decree No.3 of 2010 issued by the Ruler of Dubai. On 9 May 2022, TECOM transferred its interest of 30% to Emirates Power Investment LLC, an entity under common control through the Decree No. 19 of 2022 issued by the Ruler of Dubai.

On 14 October 2022, the legal status of the Company was amended to a Public Joint Stock Company through Decree No. (22) of 2022 issued by the Ruler of Dubai. EMPOWER was listed on the Dubai Financial Market, on 15 November 2022, by listing 20% of its share capital.

The Company's primary office is located at Al Hudaiba Awards Building, P.O. Box 8081, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements relate to the Company and its subsidiaries (collectively referred to as "the Group"). The Company has the following principal subsidiaries:

Subsidiary	Principal activity	Beneficial and legal holding	
		2023	2022
Empower Logstor LLC ("ELIPS")	Manufacturing of pre-insulated pipes, mainly for district cooling.	97.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.5%	99.5%
Empower FM LLC	Installations of equipment, installations and supplies for air conditioning, ventilation and purification systems, repairs and maintenance.	100.0%	100.0%
Empower Engineering & Consultancy LLC	Consultancy services for Project Development	100.0%	100.0%
Empower SNOW LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100.0%	100.0%

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023 (continued)

1 Establishment and operations

These interim condensed consolidated financial statements for the three-months and six-months period ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 3 August 2023.

These interim condensed consolidated financial statements have been reviewed, not audited. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2022. The comparative information for the interim condensed consolidated statement of comprehensive income, changes in equity and cash flows, and other explanatory notes, for the three-month period ended 30 June 2022 is based on the unaudited interim consolidated condensed financial statements.

2 Basis of preparation

These interim condensed consolidated financial statements for the six-month ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

3 Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements for the year ended 31 December 2022 except for the policies and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(b) Impact of standards issued but not yet applied by the Group

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial statements are disclosed below:

	Effective date
Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Lease liability in sale and leaseback – Amendments to IFRS 16	1 January 2024
IFRS 10 and IAS 28 – Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Effective date deferred indefinitely
Sale or Contribution of Assets between an investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

Management is currently assessing the impact of aforementioned new accounting standards, amendments and interpretations.

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023 (continued)

3 Significant accounting policies (continued)

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date (Note 27) in the United Arab Emirates where the Group's subsidiaries operate and generate taxable income. It establishes income tax payable, where appropriate, on the basis of amounts expected to be settled with the tax authorities. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is accounted for using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted (Note 28) by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A charge/benefit in the interim period is recognized on an average basis for the year.

Recognition of deferred tax assets are, however, restricted to the extent that it is probable that sufficient taxable profits will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed periodically to reduce the carrying amount by the extent to which it is no longer probable that sufficient taxable profits will be available to utilise the differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax asset against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and current tax liabilities on a net basis.

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023 (continued)

4 Use of estimates and judgments

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2022.

5 Financial risk management

5.1 Financial risk factors

The Group's activities and borrowings expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk.

These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. As such, they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2022. There have been no changes in any financial risk management policies since year-end.

5.2 Liquidity risk

During six-months period ended 30 June 2023, there has been no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, trade and other receivables (excluding prepayments) and due from related parties. Financial liabilities consist of trade and other payables (excluding deferred revenue), bank borrowings and due to related parties. The fair values of financial instruments approximate their carrying values.

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)

6 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2023	432,364	8,780,427	70,709	18,350	11,890	42,421	8,566	393,368	9,758,095
Additions	-	-	-	919	-	404	532	169,762	171,617
Transfers	-	274,899	-	222	337	1,685	-	(277,143)	-
Disposals	-	(10,958)	-	(24)	-	(5)	-	-	(10,987)
At 30 June 2023 (unaudited)	432,364	9,044,368	70,709	19,467	12,227	44,505	9,098	285,987	9,918,725
Accumulated depreciation									
At 1 January 2023	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156
Charge for the period	-	168,068	1,384	567	513	1,293	380	-	172,205
Disposal	-	(10,958)	-	(24)	-	(5)	-	-	(10,987)
At 30 June 2023 (unaudited)	-	2,802,669	33,144	17,381	11,392	37,475	6,219	17,094	2,925,374
Net book amount at 30 June 2023 (unaudited)	432,364	6,241,699	37,565	2,086	835	7,030	2,879	268,893	6,993,351

Capital work-in-progress balances include costs of constructing district cooling plants and networks pertaining to various projects. During six-month period ended 30 June 2023, the transfer to plant, equipment and machinery from capital work in progress represents additions mainly to two district cooling projects.

Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)

6 Property, plant and equipment (continued)

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost									
At 1 January 2022	494,282	8,032,967	70,709	16,776	11,490	40,902	6,914	842,069	9,516,109
Additions	-	16	-	1,578	400	667	2,091	387,517	392,269
Transfers	-	765,034	-	-	-	861	-	(765,895)	-
Transfer to Investment properties	(2,536)	-	-	-	-	-	-	(70,323)	(72,859)
Disposals*	(59,382)	(17,590)	-	(4)	-	(9)	(439)	-	(77,424)
At 31 December 2022 (audited)	432,364	8,780,427	70,709	18,350	11,890	42,421	8,566	393,368	9,758,095
Accumulated depreciation									
At 1 January 2022	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Charge for the year	-	304,890	2,748	1,117	58	2,365	629	-	311,807
Impairment reversal	-	-	-	-	-	-	-	(12,727)	(12,727)
Disposals	-	(17,590)	-	(4)	-	(9)	(439)	-	(18,042)
At 31 December 2022 (audited)	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156
Net book amount at 31 December 2022 (audited)	432,364	6,134,868	38,949	1,512	1,011	6,234	2,727	376,274	6,993,939

*During 2022, the Group returned 11 plots of land to a related party, which were granted in previous years for the purpose of constructing the district cooling plants. Accordingly, the carrying amount of AED 59,382 thousand was reversed from property, plant and equipment and the corresponding deferred government grant. District cooling assets with a net book value of AED 280,140 thousand are developed on some of these plots of land. Management signed a Master Land Agreement and Exclusivity and Framework Agreement with the related party granting the Group unlimited access over 8 plots. The Master Land Agreement refers to a separate lease agreement which is yet to be executed between the Group and the related party over these plots on fair and reasonable terms, for a nominal value.

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**Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)**

6 Property, plant and equipment (continued)

The term of such lease agreements will be for a period no shorter than the term remaining under the master development agreement or the period as agreed in the relevant lease agreements and that EMPOWER will continue to have uninterrupted and unencumbered use of the plots until the relevant lease agreements are entered into.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited	Unaudited	Unaudited
Depreciation expense has been charged to:				
Cost of sales (Note 19)	84,504	75,390	168,068	153,540
General and administrative expenses (Note 20)	2,342	2,076	4,137	3,551
	<u>86,846</u>	<u>77,466</u>	<u>172,205</u>	<u>157,091</u>

7 Intangible assets

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
At the beginning of the period/year	352,139	364,296
Amortisation during the period/year	(6,078)	(12,157)
At the end of the period/year	<u>346,061</u>	<u>352,139</u>

Intangible asset represents rights to charge users acquired which are recognized at fair value at acquisition date with a useful life of 30 years.

8 Financial assets at amortised cost

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
At the beginning of the period/year	305,157	309,075
Interest earned during the period/year	9,080	18,545
Settlement during the period/year	(11,232)	(22,463)
At the end of the period/year	303,005	305,157
Less: current portion	(4,228)	(4,154)
Non-current portion	<u>298,777</u>	<u>301,003</u>

The financial assets at amortised cost represents receivable from Nakheel PJSC (Note 13) in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

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Notes to the interim condensed consolidated financial statements
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9 Financial assets at fair value through other comprehensive income (FVTOCI)

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
At the beginning of the period/year	52,911	58,113
Gain/(loss) during the period/year	987	(5,202)
At the end of the period/year	53,898	52,911

During the period, the following gains/(losses) were recognised in profit or loss and other comprehensive income for the above financial assets:

	30 June 2023 AED'000 Unaudited	30 June 2022 AED'000 Unaudited
Gain/(loss) recognised in other comprehensive income	987	(3,993)
Interest income from equity instruments held at FVOCI recognised in profit or loss	2,029	1,652

The Group has invested in Tier 1 Capital Certificates ("Bonds"), which have been issued at their par value. These Bonds are perpetual instruments and are listed. The bonds carry a non-cumulative interest of 6% per annum, payable semi-annually at the discretion of the issuer.

10 Investment properties

The investment property comprises of building under construction which is expected to be completed by the first quarter of 2024.

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11 Trade and other receivables

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Trade receivables	319,957	250,009
Accrued revenues	101,402	36,100
	421,359	286,109
Less: Provision for expected credit losses	(74,697)	(74,697)
	346,662	211,412
<i>Other financial assets at amortised cost</i>		
Other receivables	18,619	9,635
<i>Other assets</i>		
Advance to contractors and suppliers	74,299	77,487
Prepayments	8,868	13,431
	83,167	90,918
	448,448	311,965

Other receivables includes a deposit of AED 4,490 thousand (2022: AED 4,490 thousand) receivable from DEWA (Note 13).

12 Dividends

A final dividend of AED 425,000 thousand (AED 0.0425 per share), in respect of the year ended 31 December 2022, was declared and approved in Annual General Assembly Meeting held on 29 March 2023 which was paid on 25 April 2023 (2022: a final dividend of AED 500,000 thousand (AED 0.5 per share), in respect of the year ended 31 December 2021, was declared and approved on 10 February 2022 by the Board of Directors of the Group which was paid in April 2022).

13 Transactions and balances with related parties

Related parties include the shareholders, key management personnel, subsidiaries, joint venture, directors and businesses which are controlled directly or indirectly by the shareholders or directors or over which they exercise significant management influence. The Group has availed the exemption as per para 25 of IAS 24 Related Party Disclosure and consider the entities (other than disclosed below) controlled by Government of Dubai as non-related.

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**Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)**

13 Transactions and balances with related parties (continued)

(a) Related party transactions

During the period, the Group entered into the following significant transactions with related parties:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 Unaudited	2022 AED'000 Unaudited	2023 AED'000 Unaudited	2022 AED'000 Unaudited
<i>Services rendered to entities under common control of shareholders</i>				
Dubai Properties Group LLC	36,750	37,942	64,936	65,464
Tecom Investments FZ LLC	16,410	16,285	28,474	27,584
Jumeirah Group LLC	12,424	12,280	20,951	20,333
Meraas Holding LLC	9,548	10,637	16,405	17,779
Global Village Dubai LLC	178	182	312	317
	<u>75,310</u>	<u>77,326</u>	<u>131,078</u>	<u>131,477</u>
<i>Dividend to shareholders</i>				
Tecom Investments FZ LLC*	-	-	-	150,000
Emirates Power Investment LLC*	-	-	102,000	-
Dubai Electricity and Water Authority PJSC (DEWA)	-	-	238,000	350,000
	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>500,000</u>
<i>Services received from shareholder</i>				
Dubai Electricity and Water Authority PJSC (DEWA)	294,125	297,891	414,278	408,719
<i>Services received from entities under common control of Ultimate Parent</i>				
Finance cost from Emirates NBD PJSC	62,552	4,665	120,230	7,740
<i>Key Management Remuneration</i>				
Board of directors' remuneration (Note 20)	1,875	1,562	3,750	3,125
<i>Compensation of key management personnel</i>				
Short term benefits	1,264	1,245	2,548	2,526
End of service benefits	130	142	260	260
	<u>1,394</u>	<u>1,387</u>	<u>2,808</u>	<u>2,786</u>

* On 9 May 2022, TECOM transferred its interest of 30% in the Group to Emirates Power Investment LLC, an entity under common control as detailed in Note 1.

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**Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)**

13 Transactions and balances with related parties (continued)

(b) *Balances with related parties*

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Due from related parties		
<i>Shareholders</i>		
Emirates Power Investment LLC	17	6,878
Dubai Electricity and Water Authority PJSC	38	16,048
	55	22,926
<i>Entities under common control of shareholders</i>		
Jumeirah Group LLC	4,119	2,373
Tecom Investments FZ LLC	4,209	4,166
Meraas Holding LLC	2,118	1,858
Others	87	73
	10,533	8,470
	10,588	31,396
Due to related parties		
<i>Shareholders</i>		
Dubai Electricity and Water Authority PJSC (DEWA)	47,895	237,543
<i>Entities under common control of shareholders</i>		
Dubai Properties Group LLC	10,650	13,016
Dubai Holding LLC	3,708	3,708
	14,358	16,724
<i>Others</i>		
Board of directors	-	2,564
Others	436	436
	62,689	257,267

The outstanding bank borrowings as at 30 June 2023 includes a balance of AED 4,266,455 thousand (2022: AED 4,266,455 thousand) from Emirates NBD PJSC, an entity under common control.

Other receivables include a balance of AED 4,490 thousand (2022: AED 4,490 thousand) deposit receivable from DEWA (Note 11).

The financial assets at amortised cost (Note 8) represents receivable from Nakheel PJSC, an entity under common control, in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

As of 30 June 2023, the cash and cash equivalents includes a balance of AED 1,271,419 thousand (2022: AED 1,451,674 thousand) held with banks which are under common control of shareholders.

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**Notes to the interim condensed consolidated financial statements
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14 Cash and cash equivalents

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Cash in hand	794	-
Cash at bank	360,114	216,208
Short term bank deposits –3 months and less	959,300	1,257,700
	<u>1,320,208</u>	<u>1,473,908</u>

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 2023: 4.65% to 5.20% per annum (2022: 0.45% to 4.85% per annum).

Term deposits are presented as cash equivalents only if they have a maturity of three months or less from the date of original maturity or are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

15 Bank borrowings

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Term loan	4,500,000	4,500,000
Unamortised loan cost	(8,971)	(10,414)
Non-current balance	<u>4,491,029</u>	<u>4,489,586</u>

16 Trade and other payables

	30 June 2023 AED'000 Unaudited	31 December 2022 AED'000 Audited
Refundable customers' security deposits	434,468	422,502
Deferred revenue	299,369	290,225
Project cost accruals	273,266	287,932
Project payables	90,547	95,951
Retentions payable	101,542	100,908
Other liabilities*	483,731	305,248
	<u>1,682,923</u>	<u>1,502,766</u>
Less: Non-current portion retentions payable	(19,879)	(5,257)
Current portion	<u>1,663,044</u>	<u>1,497,509</u>

*Other liabilities comprises of accrued expenses for water & electricity payable to DEWA (shareholder) and staff liabilities etc.

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**Notes to the interim condensed consolidated financial statements
for the three-month and six-month periods ended 30 June 2023 (continued)**

16 Trade and other payables (continued)

Movement in deferred revenue is as follows:

	30 June 2023 AED'000 Unaudited	30 June 2022 AED'000 Unaudited
At the beginning of the period	290,225	335,556
Billed during the period	565,799	549,502
Less: Income recognised during the period	(556,655)	(550,444)
At the end of the period	299,369	334,614

17 Revenue

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 Unaudited	2022 AED'000 Unaudited	2023 AED'000 Unaudited	2022 AED'000 Unaudited
District cooling services	721,736	687,211	1,209,064	1,153,098
Pre-insulated pipe	8,821	775	15,767	1,159
	730,557	687,986	1,224,831	1,154,257

18 Operating segments

The Group has determined that the Board of Directors, are the chief operating decision-makers ("CODM") per the requirements of IFRS 8 Operating Segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The Board of Directors is also provided with multiple levels of information which comprise of revenue, gross profit and net profit, aggregated for higher level components by stream. The financial accounting system of the Group is currently configured in this manner and this information is readily available. However, for decision making purposes, the Board of Directors relies mainly on the revenue and net profit information that contains lower level components. Hence, the segment information provided is primarily to the net profit level of the Group.

For the Board of Directors, the Group is currently organised into two major operating and reportable segments 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 technologies.
- The 'Pre-insulated pipe business' segment is involved in manufacture, assemble and selling activities relating to the expansion of the Group's chilled water business.

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18 Operating segments (continued)

	Six-month period ended 30 June 2023 (unaudited)			Six-month period ended 30 June 2022 (unaudited)				
	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Elimination AED'000	Total AED'000
Revenues								
External revenue	1,209,064	15,767	-	1,224,831	1,153,099	1,158	-	1,154,257
Interest income on financial asset at amortised cost	9,080	-	-	9,080	9,251	-	-	9,251
Inter-segment revenue		15,053	(15,053)	-	-	13,125	(13,125)	-
Total revenues	1,218,144	30,820	(15,053)	1,233,911	1,162,350	14,283	(13,125)	1,163,508
Cost of sales	(640,052)	(21,200)	8,053	(653,199)	(613,334)	(9,184)	7,343	(615,175)
Gross profit	578,092	9,620	(7,000)	580,712	549,016	5,099	(5,782)	548,333
General and administrative expenses	(101,891)	(4,293)	-	(106,184)	(100,765)	(3,643)	-	(104,408)
Provision for expected credit losses					(7,395)	-	-	(7,395)
Other income	2,052	888	-	2,940	2,279	429	-	2,708
Operating profit	478,253	6,215	(7,000)	477,468	443,135	1,885	(5,782)	439,238
Finance income	32,012	-	-	32,012	11,457	379	-	11,836
Finance costs	(106,524)	-	-	(106,524)	(19,360)	-	-	(19,360)
Net profit for the period	403,741	6,215	(7,000)	402,956	435,232	2,264	(5,782)	431,714

Inter-segment transaction are eliminated on consolidation

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Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023 (continued)

18 Operating segments (continued)

Segment results include an amount of depreciation and amortisation allocated to the operating segments as follows:

	Six-month period ended 30 June 2023 (unaudited)			Six-month period ended 30 June 2022 (unaudited)		
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000
Depreciation on property, plant and equipment (Note 6)	170,972	1,233	172,205	155,243	1,848	157,091
Depreciation on right-of-use asset	1,591	-	1,591	2,321	-	2,321
Depreciation on intangible asset (Note 7)	6,078	-	6,078	6,078	-	6,078
Total Depreciation	178,641	1,233	179,874	163,642	1,848	165,490

Segment assets and liabilities are as follows:

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000
Segment assets	9,527,247	94,046	9,621,293	9,565,808	88,860	9,654,668
Investment in joint venture	307	-	307	-	-	307
Total assets	9,527,554	94,046	9,621,600	9,566,115	88,860	9,654,975
Total liabilities	6,586,346	13,012	6,599,358	6,606,193	14,040	6,620,233

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18 Operating segments (continued)

The table below illustrates the capital expenditures added during the period:

	Six-month period ended 30 June 2023 (unaudited)		Six-month period ended 30 June 2022 (unaudited)	
	Chilled water AED'000	Pre-insulated pipe AED'000	Total AED'000	Total AED'000
Property, plant and equipment	185,330	2,536	187,866	179,624
			-	179,624

Geographic information

The following table presents certain non-current assets and revenue information relating to the Group based on the geographical location of the operating units:

	Revenue		Non-current assets	
	30 June 2023 (unaudited) AED'000	30 June 2022 (unaudited) AED'000	30 June 2023 (unaudited) AED'000	31 December 2022 (audited) AED'000
United Arab Emirates	1,224,831	1,154,257	7,775,043	7,776,101

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19 Cost of sales

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 Unaudited	2022 AED'000 Unaudited	2023 AED'000 Unaudited	2022 AED'000 Unaudited
Utilities cost	294,519	289,467	418,324	411,573
Depreciation on property, plant and equipment (Note 6)	84,504	75,390	168,068	153,540
Staff costs (Note 21)	9,465	8,209	19,218	18,201
Materials	5,455	490	10,635	700
Amortisation of intangible asset (Note 7)	3,039	3,039	6,078	6,078
Depreciation on right-of-use assets	44	618	89	1,236
Others	11,775	2,669	30,787	23,847
	<u>408,801</u>	<u>379,882</u>	<u>653,199</u>	<u>615,175</u>

20 General and administrative expenses

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023 AED'000 Unaudited	2022 AED'000 Unaudited	2023 AED'000 Unaudited	2022 AED'000 Unaudited
Staff costs (Note 21)	38,913	38,784	80,339	74,960
Depreciation on property, plant and equipment (Note 6)	2,342	2,076	4,137	3,551
Board of directors' remuneration	1,875	1,562	3,750	3,125
Advertising and marketing expenses	1,579	852	2,004	1,354
Communication expenses	1,293	1,462	2,568	5,531
Depreciation on right-of-use assets	751	545	1,502	1,084
Rent	128	125	323	263
Consultancy	97	1,532	613	2,412
Business travel	-	-	-	37
Others	4,469	5,528	10,948	12,091
	<u>51,447</u>	<u>52,466</u>	<u>106,184</u>	<u>104,408</u>

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Notes to the interim condensed consolidated financial statements
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21 Staff costs

	Three-month period ended 30 June		Six-month period ended 30 June	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited	Unaudited	Unaudited
Salaries	30,178	29,802	62,685	59,074
Staff benefits	16,714	15,764	33,374	31,376
End of service benefits	1,486	1,427	3,498	2,711
	<u>48,378</u>	<u>46,993</u>	<u>99,557</u>	<u>93,161</u>
Staff costs have been charged to:				
Cost of sales (Note 19)	9,465	8,209	19,218	18,201
General and administrative expenses (Note 20)	<u>38,913</u>	<u>38,784</u>	<u>80,339</u>	<u>74,960</u>
	<u>48,378</u>	<u>46,993</u>	<u>99,557</u>	<u>93,161</u>

22 Guarantees

At 30 June 2023, the Group had outstanding bank guarantees and letters of credits amounting to Nil (31 December 2022: AED 4,886 thousand), which were issued by the Group's bankers in the normal course of business.

23 Commitments

Capital commitments

As at 30 June 2023, the Group has project commitments of AED 658,932 thousand (31 December 2022: AED 509,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 30 June 2023, net of invoices recorded and accruals made as of that date.

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**Notes to the interim condensed consolidated financial statements
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24 Earning per share

	Three-month period ended 30 June 2023		Six-month period ended 30 June 2022	
	AED'000	AED'000	AED'000	AED'000
	Unaudited	Unaudited	Unaudited	Unaudited
Profit attributable to the ordinary equity holders of the Company	235,509	250,420	402,770	431,646
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	10,000,000,000	10,000,000,000	10,000,000,000	10,000,000,000
Basic and diluted earnings per share	0.0236	0.0250	0.0403	0.0432

25 Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market price (unadjusted) in an active market for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2023	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income (Note 9)	53,898	-	-	53,898
	53,898	-	-	53,898

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Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended 30 June 2023 (continued)

25 Fair value measurement (continued)

31 December 2022	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income (Note 9)	52,911	-	-	52,911
	<u>52,911</u>	<u>-</u>	<u>-</u>	<u>52,911</u>

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- for other financial instruments - discounted cash flow analysis. All of the resulting fair value estimates are included in level 2.

26 Seasonality of operations

The Group's financial results for any period are not necessarily indicative of results to be expected for the full year. Interim period revenues and earnings are typically sensitive to the weather conditions.

27 Corporate tax

On 16 January 2023 the UAE government published a Cabinet Decision setting the threshold at which the new Corporate Income Tax will apply. This event made the Corporate Income Tax substantively enacted and enacted within the meaning of IAS 12. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the company will be subject to current tax for the first time effective from 1 January 2024. However, enactment of the legislation requires the Group to record deferred taxes using the enacted rate of 9%.

The Group assessed the deferred tax implication and concluded it is not material as of and for the six-month period ended 30 June 2023. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted or enacted.

28 Subsequent event

Dubai Airport – District Cooling Asset Acquisition

On 22 May 2023, the Company entered into a Shareholders Agreement with Dubai Aviation City Corporation (DACC) for acquisition of 85% stake in DXB COOLCO FZCO (DXB Cool) against a consideration of AED 892,500 thousand. The Company also entered into a Master Service Agreement with DXB Cool for provision of services.

On 18 May 2023, the DXB Cool entered into a Master Concession Agreement with DACC which grants the sole and exclusive rights to operate, maintain and perform the district cooling services within the Dubai International Airport for a term of 35 years from the commencement date to DXB Cool.

Subsequent to the six-months period ended 30 June 2023, all the preconditions of the above agreements were satisfied and the rights and obligations were transferred with effect from 5 July 2023 (commencement date).