EMPOWER
ENERGY
SOLUTIONS

Annual Report 2022

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1 Chairman's Message

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H.E SAEED MOHAMMED AL TAYER
Chairman

In less than 20 years, Emirates Central Cooling Systems Corporation "Empower" has consistently grown from strength to strength, despite economic downturns and a global pandemic, and has become the world's largest district cooling service provider. 2022 marked another milestone in Empower's success story for its annual growth in market share, revenues and profitability.

To achieve His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, long-term vision for a net zero economy, inclusive economic development, and long-term prosperity, we are developing a world-class infrastructure for district cooling to keep pace with the growing demand in Dubai.

In the footsteps of DEWA's own success, the headline story was the completion of Empower's heavily oversubscribed listing on the Dubai Financial Market (DFM) at a time when global equity markets were at a low. The initial announcement of an intention to float 10% of the total issued share capital was subsequently followed by two upsizing announcements, which saw a total of 20% of Empower's total share capital offered.

The success of the DFM listing is deserved. As this annual report explains, Empower has never had a greater market share before and has never been more profitable. By year-end, we had secured approximately 80% of the connected capacity of the district cooling market in Dubai and crossed the AED 1 billion profitability mark for the first time, a 7% increase compared to 2021.

By year-end, Group revenues had increased to AED 2.8 billion, an impressive 13.3% increase compared to 2021, and EBITDA increased by 14% to AED 1.4 billion. This outstanding performance allows us to make a proposed dividend of AED 425 million and we are well on track for meeting our commitment to distributing a total dividend of AED 850 million per year for the first two years.

These unprecedented financial results are mirrored operationally, with significant expansion and diversification of our portfolio of iconic buildings. The addition of Dubai's latest array of world renowned prestigious projects which have been entrusted to Empower's portfolio, such as the Atlantis The Royal Dubai, the Museum of the Future, Marsa Al Arab, One Zabeel, and Wasl1, is a clear testament to Empower's reputation as the leading cooling service provider with district cooling services to 1,463 buildings in Dubai.

Our ability to deliver such robust growth rests to a large extent on our expansive world-class infrastructure and our highly automated and efficient plants, with environmentally beneficial nature of Empower's operations. Throughout our history, we have promoted and optimised the use of energy in the district cooling industry. We are proud to serve communities with efficient and reliable cooling services while reducing greenhouse gas emissions, lowering air pollution and limiting ozone-destroying refrigerants. By virtue of our inherent environmental responsibility, we look forward to continuing to play a major role in helping Dubai and the UAE to be a world leader in sustainable social and economic development.

Environmental conservation always has been and always will be a core strategic driver that delivers growth and results for all our shareholders and stakeholders. Our expansion - both organic and inorganic - has been made possible by sheer determination, ingenuity, shrewd management and smart investment decisions. These qualities are recognised and understood by our customers and shareholders for their intrinsic value for efficiency, reliability and sustainability.

We continued to be recognised by a number of international bodies in 2022, receiving two gold awards from International District Energy Association (IDEA) 2022 in Canada. We also won two Golden Bridge Business and Innovation Awards in 2022, including the gold award for the category 'Company of the Year' in the Energy and Utilities sector in recognition of our outstanding achievements during 2022.

As we look ahead to 2023 and beyond, we continue to be confident in our ability to deliver sustained growth, improved production capability, reduced costs and energy efficiency through the application of the latest and most advanced district cooling technologies. As such, we strongly believe that we will continue to make a meaningful contribution to the objectives laid out in the Dubai Integrated Energy Strategy 2030 and to ever-greater sustainability standards in our sector.

Finally, I would like to take this opportunity to thank each and every one of my colleagues for their continued hard work and dedication during a landmark year. I also extend my gratitude to our new shareholders for placing their trust in us last year and in our ability to create strong and sustainable growth and returns in the years to come.

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CEO's Message

AHMAD BIN SHAFAR
Chief Executive Officer

As the world's largest district cooling services provider, Empower is a globally-recognised leader in the district cooling industry in all aspects of its business and operations. After a landmark year that witnessed Empower's phenomenally successful listing on the Dubai Financial Market – we are proud to act as a champion for Dubai's role as an international hub for innovation and excellence.

Having continued our relentless expansion across a series of highly prestigious projects across Dubai in 2022, we delivered an outstanding double-digit year-on-year increase in revenues culminating in Empower's highest-ever net profit of over one billion dirhams. These headline financial results coincided with significant growth, with our district cooling network expanding to more than 380 kilometres and our market share of district cooling in Dubai exceeding 80% by year-end.

I believe it is a testament to the strength of our strategic business model that we were able to deliver such an outstanding performance in 2022. Significant advances were made in the establishment of automation and digitisation solutions across technical and administrative operations. This has enhanced performance rates, efficiency levels and productivity, reducing costs and expenses, increasing revenue flow, and improving the customer experience.

The achievements during the past year are unprecedented. Various factors collectively paved the way for the success of our expansion in the district cooling market of Dubai, driven by the substantial growth in the distribution networks and the largest diversified projects in the Emirate, which significantly increased the quantity and quality of the projects portfolio and the beneficiaries of Empower.

During 2022, Empower successfully integrated Nakheel's acquired district cooling assets and enhanced their efficiencies by integrating standalone cooling plants with large district cooling plants.

Our achievements continue to be congruent with the Dubai Integrated Energy Strategy and the Supreme Council for Energy's target of 40% district cooling penetration by 2030.

We possess a unique ability to contribute to the Dubai Demand Side Management Strategy 2030, launched in line with the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. We also benefit from the vast opportunities of Dubai's various strategies and plans, especially the Dubai 2040 Urban Master Plan, which anticipates a significant increase in land areas for residential and hospitality sectors, providing Empower with significant growth potential and even more diversified portfolio.

Looking ahead to 2023 and beyond, we continue to benefit from secured growth opportunities from our robust concession agreements within existing and new developments, in addition to inorganic opportunities, both locally and internationally. We will continue to leverage our business model to harness demand and deliver healthy and highly reliable revenue streams. By doing so, we will be exceptionally well-placed to deliver long-term growth, operational resilience and sustained shareholder value.

I would like to take this opportunity to thank the Board of Directors for their support during a year of profound change and historic growth. Furthermore, I wish to extend my gratitude to Dubai's leaders for their enduring vision, to our customers for their loyalty and confidence, to my fellow colleagues in the company for their dedication and to all of our other stakeholders for their support during a truly memorable year.

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Empower at a Glance

Mission

To promote sustainable and optimized use of energy resources by delivering reliable, cost-effective and environmentally friendly world-class district cooling services to achieve customer satisfaction, thereby creating long-term shareholder value.

Vision

To be the world's leading district cooling services provider

About Empower

Empower was established with the objective of providing world-class District Cooling Services to Dubai and the region. Within a span of a decade from its inception, Empower grew exponentially and became the largest district cooling services provider in the world by capacity and a clear leading player in the district cooling market of Dubai.

Empower develops, owns, and operates world-class district cooling systems in Dubai with an impressive portfolio of major projects in place. Empower's operating model is focused on transforming traditional processes of cooling into one which is energy efficient and supports the UAE's efforts to achieve its carbon neutrality goals.

Facts and Figures

1.53M RT *

Contracted Capacity

1.41M RT

Connected Capacity

110,000+

Customers

1,463

Buildings Served

81

District Cooling Plants

*Refrigeration Tonnes

Iconic Projects served

MUSEUM OF THE FUTURE
The most beautiful building on earth

BURJ AL ARAB
World's most luxurious hotel

EMIRATES TOWERS
Dubai's masterpiece towers

AIN DUBAI, BLUEWATERS
World's tallest observation wheel

PALM JUMEIRAH
World's largest manmade island

ATLANTIS THE ROYAL
The most ultra-luxury resort in the world

DUBAI INTERNATIONAL FINANCIAL CENTER
Dubai's financial district

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2022 Overview

4.1 Landmark projects connected

Marsa Al Arab

The Jumeirah Marsa Al Arab, the superyacht-shaped hotel developed on the Jumeirah beaches, is an exclusive beachfront resort destination. The spacious resort consists of luxurious rooms, suites and penthouses that feature expansive balconies and terraces that allow guests to enjoy panoramic sea views and simultaneously providing a 180° view of the spectacular Burj Al Arab Jumeirah and the resort's new superyacht marina. Marsa Al Arab features 386 rooms and suites, four penthouses, as well as 83 luxury hotel apartment suites. and is served by JBH Plant.

Aykon Towers

Aykon Towers are part of the Aykon City located on Sheikh Zayed Road within the 40-million-square-feet master development of Dubai Canal project. Aykon Towers are serviced with District Cooling from Empower's Business Bay plants.

Wasl1 Residence

The Wasl1 is an iconic park side freehold master development from Wasl Asset Management Group in the heart of Dubai. The project is located in proximity to Sheikh Zayed Road and Al Jafiliya Metro Station with views on Zabeel Park. Wasl 1 Residence, a stunning two-tower residential complex offering a total of 753 units, is served by Empower with world-class district cooling services from its Za'abeel district cooling plant.

La Vie JBR

La Vie JBR is the luxurious waterfront residential tower located in Jumeirah Beach Residences (JBR), Dubai Marina. Inspired by Miami modernist architecture, La Vie by Dubai Properties features delightful aesthetic elements. The project was launched in 2019, and upon its completion, will have 36 storeys above ground and an underground level dedicated to the parking lot. La Vie JBR is served with district cooling by Empower from JBR district cooling plant.

4.2 Plants commissioned

Za'abeel District Cooling Plant

Classified as one of the new generation district cooling plants, the Za'abeel plant is built in conformity with high-level engineering and operational design criteria and international standards, and is equipped with advanced equipment and modern technologies. Empower commenced operations of the first phase of the Za'abeel District Cooling plant with a cooling capacity of 27,750 RT. The total cooling capacity of the plant will be 50,000 RT upon completion and will be interconnected with company's existing district cooling plant in DIFC to deliver a total cooling energy of 112,000 RT, to serve the existing and upcoming projects in the area, most notably, the buildings of the Dubai International Financial Center, the Dubai World Trade Center and the Emirates towers, the Wasl1 mega development, the iconic 'One Za'abeel' and others.

Business Bay 05 District Cooling Plant

The new district cooling plant, Business Bay 05 (BB 05) started its full swing operations in 2022 to meet the increasing demand for environmentally friendly district cooling services from corporate and individual customers in the Business Bay region. This is Empower's fourth plant in the Business Bay District cooling project, which will be the single largest and independent urban district cooling project in the world upon completion, with a total capacity of 450,000 RT through 6 cooling plants and 10 thermal energy storage tanks including the existing and upcoming plants and tanks. The total production capacity of the new plant has reached 50,000 RT in 2022, bringing the total capacity of the existing plants in the Business Bay district cooling project to more than 185,000 RT. BB 05 plant leverages advanced technologies in its operations, including Thermal Energy Storage (TES) and Treated Sewage Effluent (TSE).

4.3 Management Discussion and Analysis

MD&A Report for the Year Ended 31 Dec 2022

Overview

Empower was established on 23 November 2003 as a corporate entity pursuant to Dubai Law No. (10) of 2003 ("Law No. 10") as amended by Dubai Law No. (3) of 2010 ("Law No. 3") and commenced commercial operations on 15 February 2004.

On 14 October 2022, pursuant to Dubai Law No. 22 of 2022 (which repealed No. 10 and Law No. 3) (Law No. 22 of 2022) and any other legislation to the extent that it contradicts the provisions of Law No. 22 of 2022, the Company was established in its current form, as a public joint stock company to succeed Emirates Central Cooling Systems Corporation.

The principal activities of the Group are the provision of Distrct Cooling Services (DCS), the management, operation and maintenance of central cooling plants and related distribution networks, and the production and selling of pre-insulated pipes and fittings.

District Cooling

District cooling is an efficient energy system for large-scale, high-density developments, such as business districts, airports, university campuses, residential towers, shopping malls and hospitals. The district cooling system relies on a centralised cooling plant that provides chilled water that is used to cool buildings within its connected network. The plant supplies chilled water through a network of underground-pre-insulated pipes.

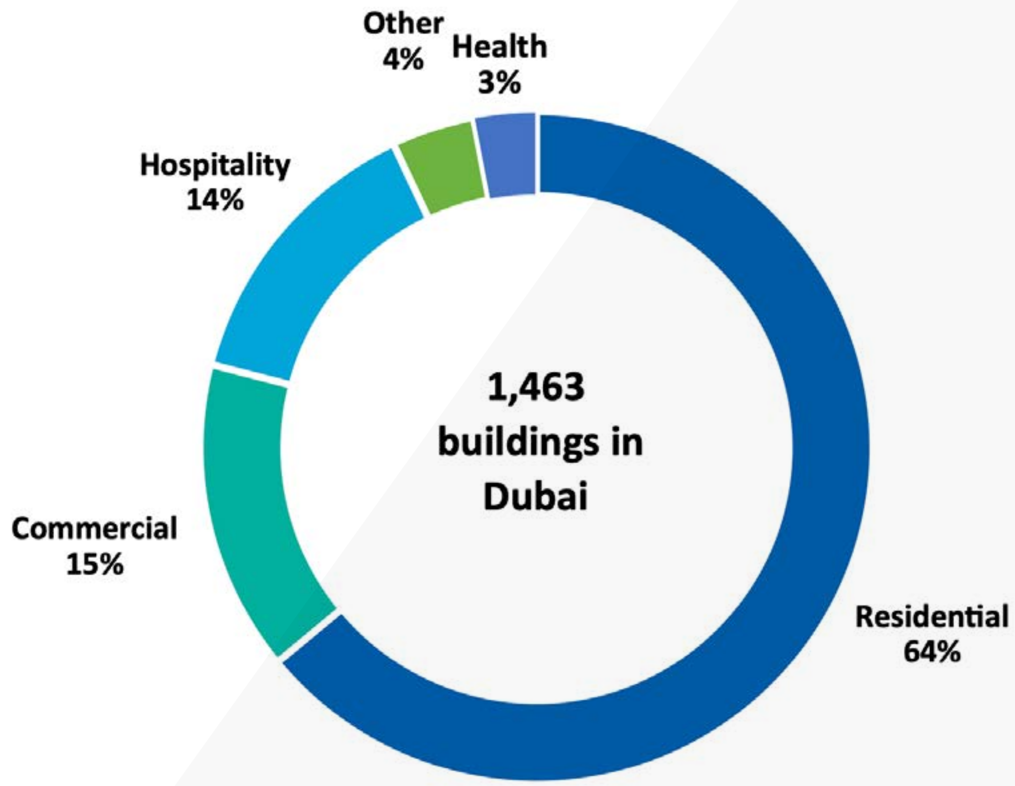
The Group provides DCS to various residential, commercial and mixed use developments in Dubai and is the largest DCS provider in the world in terms of connected capacity, according to the International District Energy Association. As at 31 December 2022, the Group had 81 district cooling plants, all of which are currently in Dubai and are providing exclusive DCS to some of Dubai's most iconic landmarks and developments, including the Dubai International Financial Centre, Burj Al Arab, Dubai Healthcare City, Business Bay, Palm Jumeirah, Jumeirah Beach Residence, Ain Dubai & Bluewaters Island, Deira Waterfront, Jumeirah Lake Towers, Discovery Gardens, Ibn Batutta Mall, Jumeirah Village South, Dubai Land Residential Complex, Meydan and other areas across Dubai. These iconic landmarks and developments demonstrate the diversity of the Group's strategic assets across its well-balanced portfolio.

The Largest DCS Provider in the World and Clear Leader in Dubai

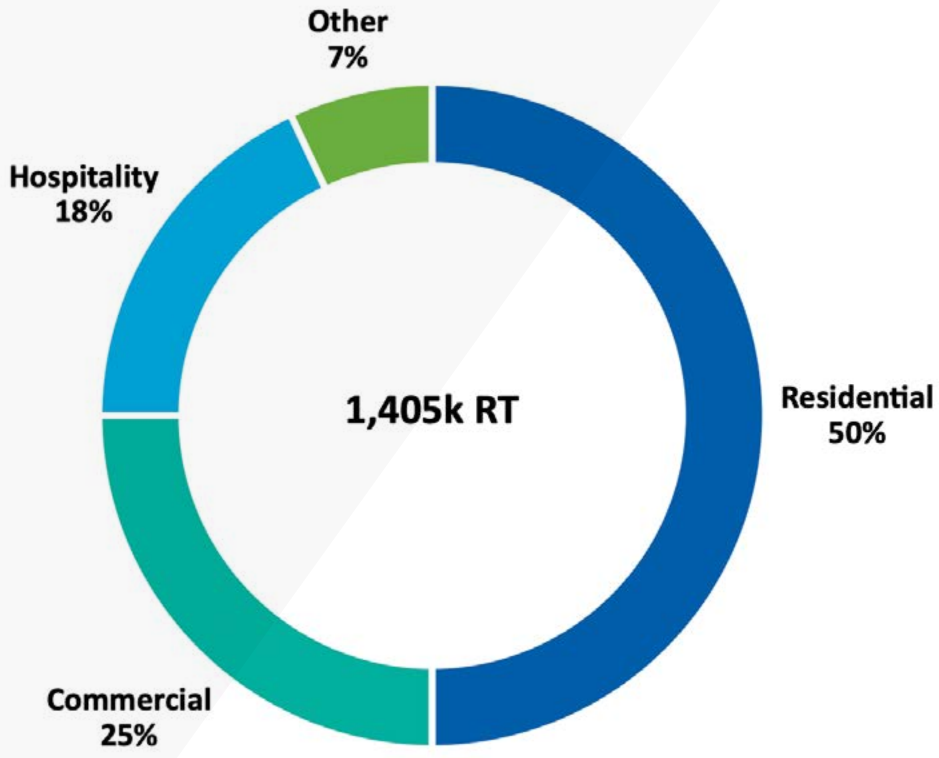
The Group is the sole and exclusive provider of DCS to Dubai's most iconic landmarks and developments.

As the exclusive DCS provider the Group is able to cater to varied project types and customers. The Group provides DCS to core aspects of Dubai's economy, including residential, commercial, health care and hospitality buildings. In 2022, the Group provided DCS to 1,463 buildings. Of these 1,463 buildings, 64% were residential buildings, 15% were commercial buildings, 14% were hospitality buildings, 3% were health related buildings and the remaining 4% were other buildings. The Group expects its mix of DCS to be provided to a greater percentage of commercial buildings in the future in connection with and subject to completing the Dubai International Airport District Cooling Acquisition.

Breakdown of the types of buildings the Group served in 2022;

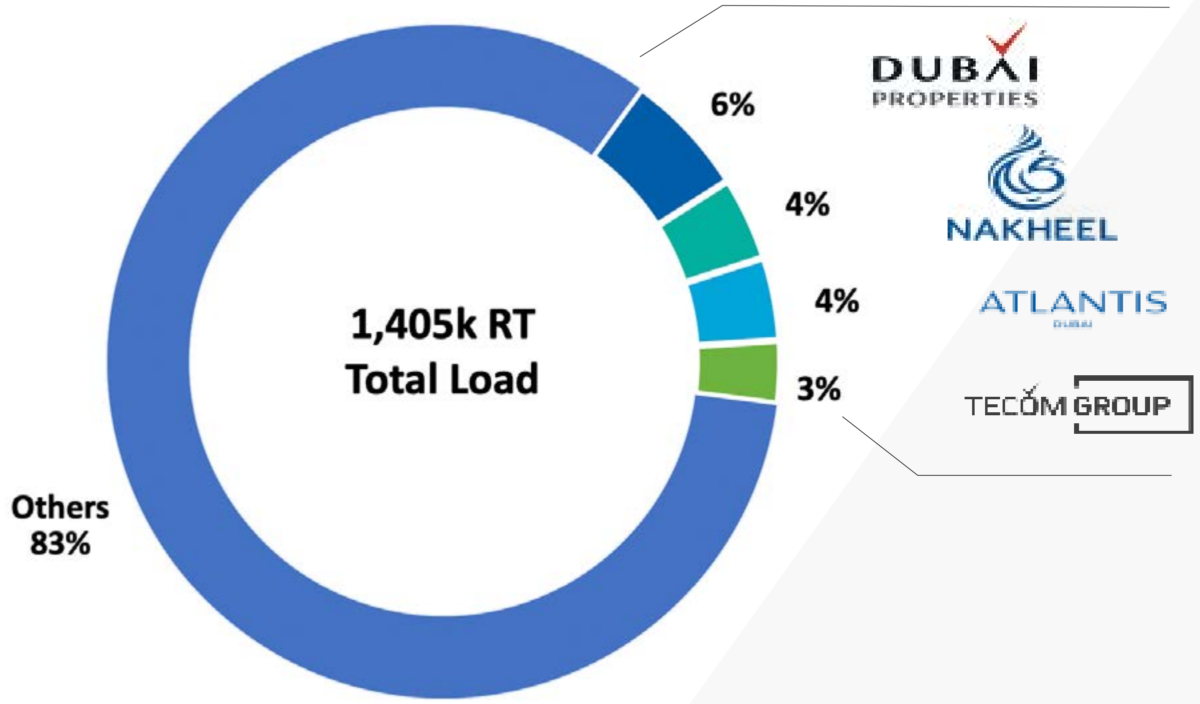


Breakdown of the Group's connected capacity by types by the end of 2022;



Furthermore, the Group has established relationships with Dubai's key master developers, leading to exclusive service provider rights to the connected area. The Group focuses on long-term service contracts, enabling it to maintain a large client base by being the sole DCS provider to certain connected areas and developments, which in turn ensures that the Group has ongoing business once developments are completed. These service contracts provide a secure and recurring revenue stream for the Group by ensuring that revenues are contracted in the long-term. The servicing exclusivity remains in force irrespective of any subsequent sale or lease of the contracted development.

Breakdown of the Group's total load split of master developers and consumers in 2022;



Strategy

Leveraging its integrated business model, in-house operational expertise, contracts to operate as the exclusive DCS provider and operational capabilities, the Group is focused on driving financial performance and growth through a combination of (i) organic and (ii) inorganic opportunities.

The Group's organic growth strategy will be driven by secured RT growth from existing master developments. The Group also has a number of additional organic growth opportunities derived on the back of existing networks and retrofitting adjacent buildings, as well as leveraging its position as preferred DCS provider for projects developed by Dubai Holding and Nakheel.

History and Development

An overview of the principal events in connection with the history and growth of the Group's business is set out below:

2003: The Company was established by Royal Decree as a joint venture between DEWA and the Free Zone Authority.

2005: The Free Zone Authority assigned its ownership interest in the Company to TECOM.

2006: The Group implemented DCS in large-scale real estate developments.

2007: The Group established the UAE's largest pre-insulated pipe manufacturing facility.

2009: The Group added 188,000 RT in connected capacity since 2006, representing a 104% CAGR in three years in connection with the rapid increase of Dubai's real estate.

2011: The Group introduced and increased the use of recycled treated sewage effluent.

2013: The Group completed the largest district cooling acquisition in the market by acquiring Palm District Cooling ("PDC"), thus making the Group the world's largest DCS provider in terms of connected capacity, revenues and net profits. PDC is the exclusive DCS provider to certain concessions, which includes Palm Jumeirah (Crescent and Trunk), Jumeirah Lake Towers and Gemplex Buildings, Discovery Gardens and Ibn Battuta Mall and Gate Complex.

2015: The Group's Business Bay district cooling plants became the first in the region to achieve Gold certification Leadership in Energy and Environmental Design ("LEED").

2016: The Group was chosen as a partner of UNEP and special advisor for its "District Energy in Cities" global initiative.

2018: Dubai was crowned as the "Champion City of District Cooling" by IDEA. The Group received the Innovation Award for the "360° Solution for Metering Artificial Intelligence (AIMS 360). The Group acquired the Al Barari development district cooling plant.

2019: The Group established the parallel working environment (the "PWE") system to enhance its Command Control Center (CCC) and launched a pilot of the world's first unmanned district cooling plant. The Group received the Innovation Award Honourable Mention for its "Intelligent Delta-T Analyzer & Detector" technology.

2020: The Group saved a total of 349 million gallons of potable water through the use of TSE. The Group acquired Meydan district cooling plants, adding another 382,000 RT to the Group's future potential capacity. In addition, the Group connected the world's tallest ferris wheel, Ain Dubai, to its district cooling network. The Company was awarded the "Company of the Year" award in the energy and utilities category for its practical innovations in developing the district cooling industry in the world.

2021: The Group completed the acquisition of Nakheel district cooling plants for AED 674 million, which included 19 district cooling plants, more than 6,500 active customers and 14 active projects which added an additional 88,000 RT to the Group's capacity. On 27 October 2021, the Company signed a heads of terms agreement with Dubai Aviation City in relation to the Dubai International Airport District Cooling Acquisition, which, upon completion, will add an additional connected capacity of approximately 70,000 RT capacity to the Group's network.

2022: The Group commenced operation of its new Za'abeel district cooling plant. The Group received two gold awards from the IDEA for the categories "Number of Buildings Committed" and "Total Building Area Committed".

Financial Highlights

Revenue

AED 2,793 m

+13.3%

EBITDA

AED 1,376 m

+14.2%

Net Profit

AED 1,001 m

+6.9%

Performance Highlights

Revenue increased by **13.3% to AED 2,793m** due to strong base of committed connected load of **1.4m RT**

EBITDA increased by **14.2% to AED 1,376m** with EBITDA margins of **49.3% in 2022.**

Net Profit increased by **6.9% to AED 1,001m.**

Paid Pre-IPO dividend of **AED 2.9 per share** to the Shareholders in September 2022.

20% of share capital offered through IPO in November 2022 by listing at DFM.

Company structure changed to PJSC effective 14-October-2022 through a decree from Government of Dubai.

Financial Performance

Consolidated Statement Of Income

For The Year Ended 31 December 2022

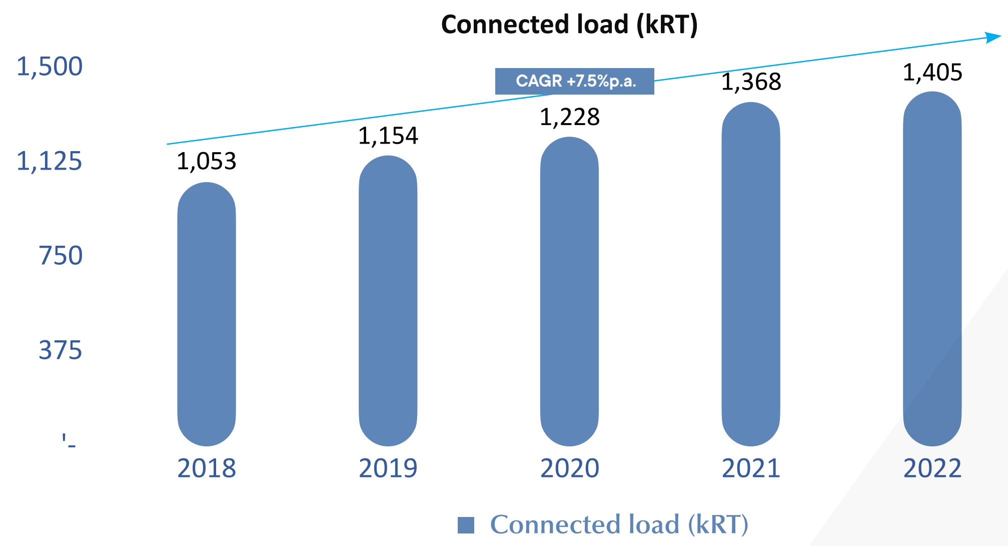
	2022	2021
	AED'000	AED'000
Revenue	2,792,539	2,463,874
Interest income on financial asset at amortised cost	18,545	-
Cost of sales	(1,551,848)	(1,394,449)
Impairment reversal of project cost	12,727	32,328
Gross profit	**1,271,963**	**1,101,753**
General and administrative expenses	(209,977)	(175,881)
Provision for expected credit losses	(17,865)	(8,568)
Other income	7,765	16,172
Operating profit	**1,051,886**	**933,476**
Finance income	35,554	11,633
Finance costs	(86,685)	(9,127)
Finance (costs)/income - net	(51,131)	2,506
Net Profit for the year	**1,000,755**	**935,982**

Revenue

Revenue for the year 2022 was AED 2,793 million, up 13.3% from the previous year – our strongest growth since 2014. The Group's revenue is mainly generated through fixed demand charges for connected capacity and variable consumption charges based on district cooling usage recorded by the meter of the respective customers

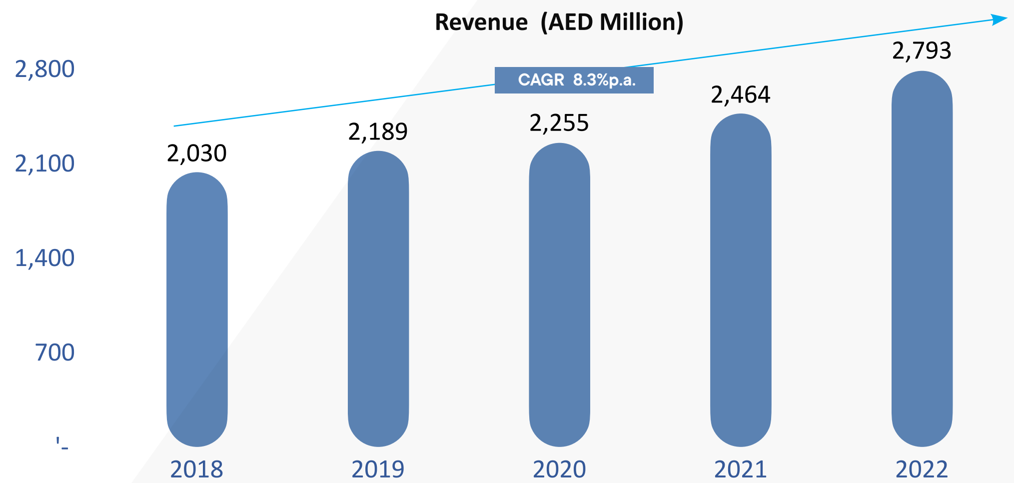
Connected capacity

1. Providing 1.4m RT of cooling across Dubai with a compounded growth of 7.5% since 2018.
2. Long term contracts with various master developers and building developers.



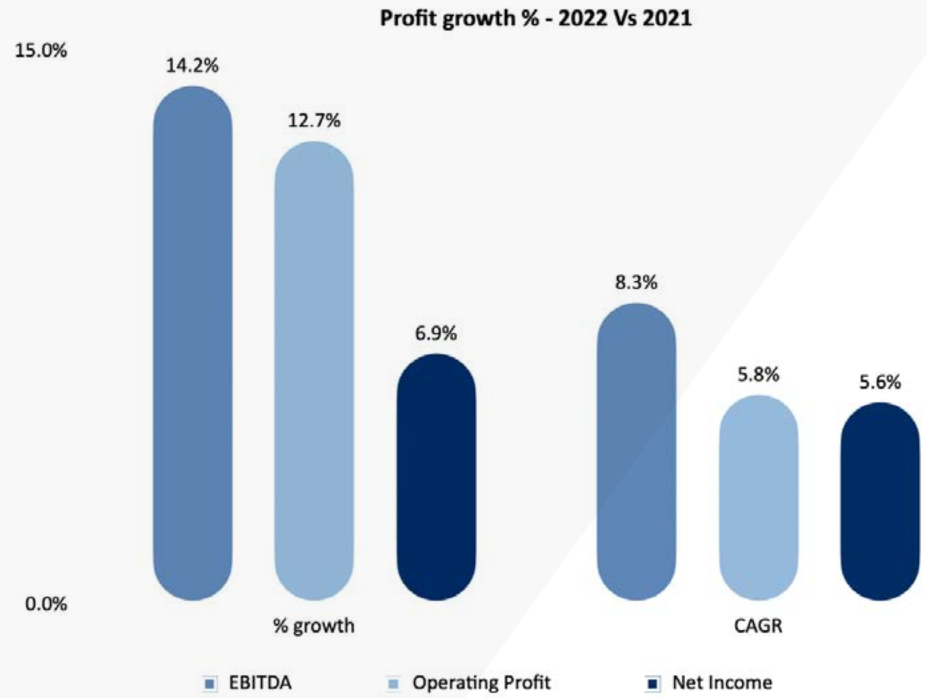
Strong Revenue model

1. Based on committed load and robust operating parameters, the group continues to drive on the growth momentum.
2. The Group has a resilient business model witnessed by a growth of 3% even during global pandemic (2020).
3. Increased revenue on YoY basis by a minimum of 7.9% in 2019 to 13.3% in 2022 with a compounded growth rate of 8.3% since 2018.



Profit growth

1. EBITDA grown at 14.2% in 2022 vs 2021 with a compounded growth of 8.3% since 2018.
2. Operating profit grown at 12.7% in 2022 vs 2021 with a compounded growth of 5.8% since 2018.
3. Net profit grown at 6.9% in 2022 vs 2021 with a compounded growth of 5.6% since 2018.

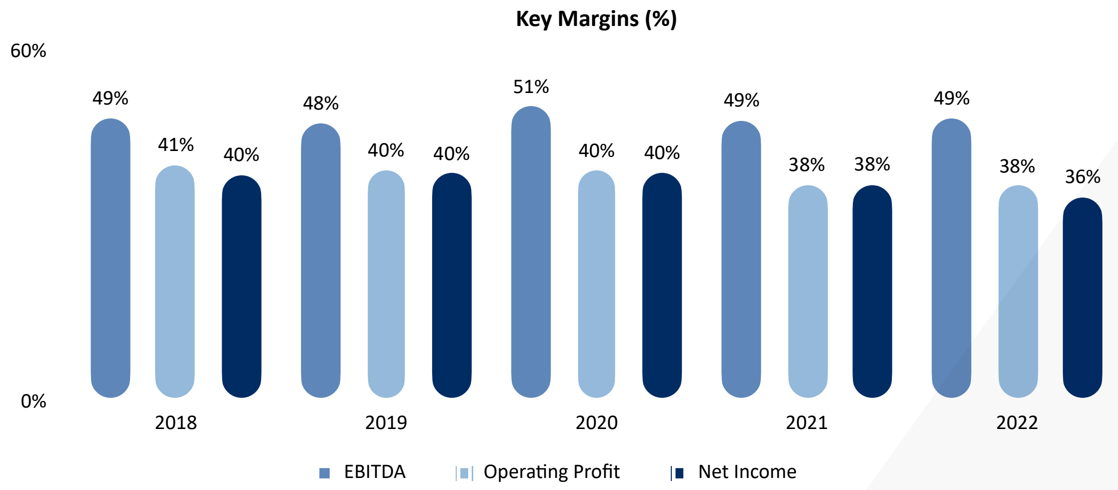


Robust performance

1. Strong EBITDA base driven by committed demand charges.
2. EBITDA grew by a compounded rate of 8.3% since 2018.
3. Operating profit grew by a compounded rate of 5.8% since 2018.

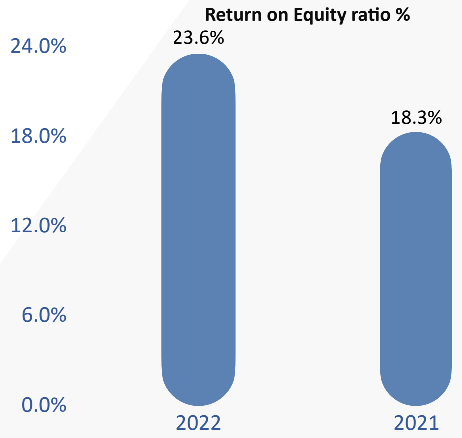
Creating wealth to Shareholders

1. EBITDA margin of 49.3% in 2022 with an average margin of 49.4% during the period 2018-22.
2. Operating margin of 37.7% in 2022 with an average margin of 39.5% during the period 2018-22.
3. Net profit margin of 35.8% in 2022 with an average margin of 38.6% during the period 2018-22.



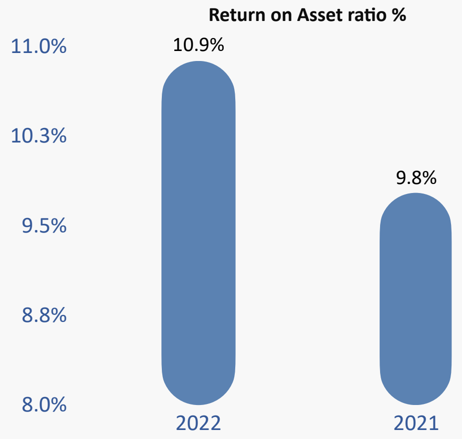
Return on Equity

Empower believes the primary objective of the company is to create wealth to the shareholders and it has achieved this objective consistently over the years.



Return on Asset

Empower's innovative business model has enabled it to achieve returns that are best in the industry and the region.



Summary of financial position as at the end of the financial period

Consolidated Balance Sheet

	As at 31 December	
	2022	2021
	AED'000	AED'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,993,939	7,032,991
Right-of-use assets	2,943	13,412
Intangible assets	352,139	364,296
Financial assets at amortised cost	301,003	305,164
Financial assets at fair value through other comprehensive income	52,911	58,113
Investment properties	72,859	-
Investment in a joint venture	307	307
	7,776,101	**7,774,283**
Current assets		
Inventories	46,151	27,018
Trade and other receivables	311,965	274,498
Due from related parties	31,396	3,618
Financial assets at amortised cost	4,154	3,911
Financial assets at fair value through profit or loss	-	100,000
Term deposits	11,300	114,800
Cash and cash equivalents	1,473,908	1,245,588
	1,878,874	**1,769,433**
Total assets	**9,654,975**	**9,543,716**

	As at 31 December	
	2022	2021
	AED'000	AED'000
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	5,836	2,741
Contributed capital	82,190	82,190
Retained earnings	1,444,591	3,844,024
	3,032,617	5,428,955
Non-controlling interests	2,125	1,937
Total equity	**3,034,742**	**5,430,892**
LIABILITIES		
Non–current liabilities		
Bank borrowings	4,489,586	987,666
Government grant	308,338	370,890
Provision for employees' end of service benefits	56,035	49,703
Retentions payable	5,257	35,318
Lease liabilities	729	11,939
	4,859,945	**1,455,516**
Current liabilities		
Trade and other payables	1,497,509	1,485,009
Due to related parties	257,267	166,287
Bank borrowings	-	1,000,219
Government grant	3,170	2,780
Lease liabilities	2,342	3,013
	1,760,288	**2,657,308**
Total liabilities	**6,620,233**	**4,112,824**
Total equity and liabilities	**9,654,975**	**9,543,716**

Financial Position

The Group's financial position is robust with our asset portfolio amounting to AED 9,654 million.

The liquid assets in the form of cash & bank stood at AED 1,473 million representing approximately 84% of the current liabilities of the Group.

Gearing ratio at 49.8% and Net debt to EBITDA of 2.18x represent sufficient headroom to pursue growth opportunities.

Amount in AED Million		
Item	**2022**	**2021**
Loan outstanding	4,490	1,988
Less : Cash and cash equivalent including term deposits	(1,485)	(1,360)
Net Debt Oustanding	**3,005**	**628**
EBITDA	1,376	1,205
Leverage Ratio	2.18 x	0.52 x

Consolidated statement of cash flows

	Year ended 31 December	
	2022	2021
	AED'000	AED'000
Cash flows from operating activities		
Net profit for the year	1,000,755	935,982
Adjustments for:		
Depreciation of property, plant and equipment	311,807	304,965
Depreciation of right-of-use assets	2,868	6,187
Amortisation of intangible assets	12,157	400
Settlement of financial assets	22,463	739
Impairment reversal of project costs	(12,727)	(32,328)
Amortisation of arrangement fee	8,476	1,599
Gain on disposal of property, plant and equipment	(29)	(27)
Gain on modification of right-of-use assets	(1,461)	-
Net impairment losses on financial assets	17,865	8,568
Provision for employees' end of service benefits	15,968	5,523
Provision for impairment of slow moving and obsolete inventories	361	-
Interest on lease liabilities	295	712
Interest income earned on financial assets at amotised cost	(18,545)	(610)
Finance income	(35,554)	(11,023)
Interest expense on bank borrowings	90,652	20,063
Government grant income	(2,780)	(2,780)
Operating cash flows before changes in working capital and payment of employees' end of service benefits	**1,412,571**	**1,237,970**
Changes in working capital:		
Inventories	(19,494)	8,063
Trade and other receivables before advances	(77,130)	6,022
Due from related parties	(27,778)	10,853
Trade and other payables	46,826	37,527

	As at 31 December	
	2022	2021
	AED'000	AED'000
Due to related parties	90,980	67,041
Cash generated from operations	**1,425,975**	**1,367,476**
Payment of employees' end of service benefits	(1,339)	(1,270)
Net cash generated from operating activities	**1,424,636**	**1,366,206**

Consolidated statement of cash flows (continued)

	Year ended 31 December	
	2022	2021
	AED'000	AED'000
Cash flows from investing activities		
Acquisition of subsidiary	-	(668,294)
Additions to property, plant and equipment	(434,860)	(571,580)
Short-term deposits (more than 3 months) redeemed/ (invested)	103,500	(97,300)
Redemption/(investment) in financial assets at fair value through profit and loss	100,000	(100,000)
Finance income received	35,554	11,023
Proceeds from disposal of property, plant and equipment	29	27
Net cash used in investing activities	**(195,777)**	**(1,426,124)**
Cash flows from financing activities		
Proceeds from bank borrowings net of arrangement fee	5,406,211	917,294
Repayment of bank borrowings	(2,912,984)	(253,047)
Dividends paid	(3,400,000)	(400,300)
Lease payments – Principal and interest	(3,114)	(7,574)
Finance costs paid	(90,652)	(20,063)
Net cash (used in)/ generated from financing activities	**(1,000,539)**	**236,310**
Net increase in cash and cash equivalents	**228,320**	**176,392**
Cash and cash equivalents at the beginning of the year	1,245,588	1,069,196
Cash and cash equivalents at the end of the year	**1,473,908**	**1,245,588**

Funds from operations

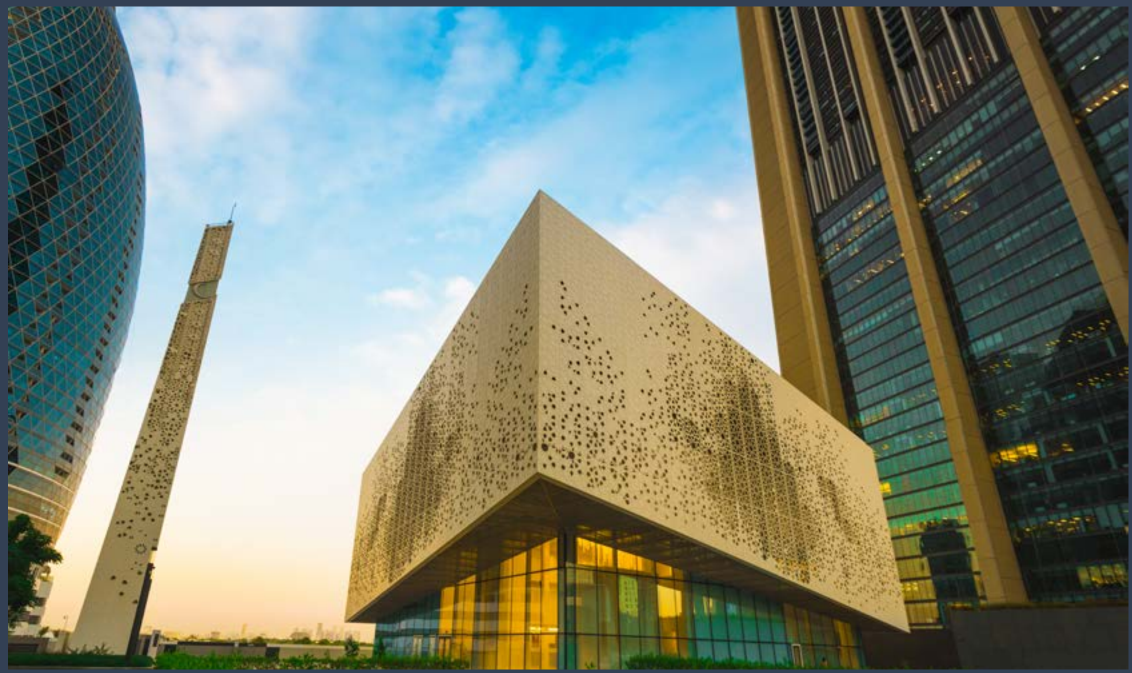
The Group maintains an healthy conversion ratio of 103.6% (Funds from operations AED 1,425 million / EBITDA AED 1,376 million) due to robust collection mechanism established in the organization. The funds from operation increased by AED 58m over previous year.

Investing activities

The group continues to fund the capex activities through internal accruals and has spent AED 435 million in the year 2022 in various projects - DLRC, Business Bay, DIFC, Al Khail Gate, Dragon Mart and Satwa projects.

Financing activities

In September 2022, the group signed a facility and drew down AED 4,500 million to repay the outstanding loan of AED 2,913 million and pay a pre-IPO special dividend of AED 2,900 million.



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Corporate Governance

Corporate Governance Report

Emirates Central Cooling Systems Corporation PJSC ("Empower" or the "Company") is incorporated in Dubai and listed on Dubai Financial Market ("DFM") on 15 November 2022. Empower and its subsidiaries (together "the Group") has issued this report pursuant to the provisions of Article 77 of Decision No. 3 of 2020 issued by the Chairman of the Board of Directors of the Securities and Commodities Authority concerning Approval of Joint Stock Companies Governance Guide **("Governance Guide").**

Corporate Governance Framework

The Group's corporate governance reflects its commitment to safeguarding the interests of its stakeholders. The Group's corporate governance principles are based on four pillars mentioned in the Governance Guide, namely i) accountability, ii) responsibility, iii) fairness and iv) transparency and disclosure.

The Group's corporate governance framework consists of its governing bodies and corporate governance policies and procedures, which define the competencies of the governing bodies and other corporate governance rules, as well as the practices to be followed throughout the Group, in line with laws, regulations and best practices. The key elements of governance framework of the Group are:

- the General Assembly of the Shareholders;
- the Board of Directors;
- the Board committees;
- the Chief Executive Officer (CEO) and the Executive Management;
- the Internal Audit; and
- the External Auditors.

The shareholders elect the members of the Board and the external auditors and approve required resolutions at the Annual General Meeting (AGM), such as adoption of the consolidated financial statements, approval of the Board of Directors compensation, distribution of profits, etc. The Board and its committees is responsible for the overall strategic direction, developing and implementing framework for risk management, internal control & compliance, supervision and control of the Group and appointment of the CEO. The CEO is responsible for day-to-day operational management of the Group's business and for developing and implementing its business plans.

The Group's corporate governance policies and procedures are defined in a series of documents, including the following:

Document	Description
Articles of Association (AoA)	Defines the purpose of the business, the capital structure and the basic organizational framework
Organization structure	Defines the organization structure of the Group and the responsibilities and authority of the Board, its committees and executive management within the Group, as well as the relevant reporting procedures.
Board charter	Outlines the organization and responsibilities of the Board.
Board committee charters	Defines the organization and responsibilities of the committees.
Code of Conduct	Defines the Group's purpose, culture, values and behaviors that all employees are required to follow, including adherence to all relevant laws, regulations and policies.
Insider Dealing Policy	Defines the principles and procedures for dealings in the Company's shares by its employees and insiders having possession of material information.
Ombuds Policy	Enables employees and other stakeholders to voice their concerns related to any suspected fraud, wrongdoing, unethical conduct that may bring disrepute to the organization or cause financial loss (refer: https://www.empower.ae/contact-us/ombuds/).

1. A statement of the measures taken to complete the corporate governance system during the year 2022, and how to implement them.

The key activities implemented during 2022 include:

- Reconstituting the Board of Directors to include independent members;
- Reconstituting and establishing key Board committees: Audit and Risk Committee (ARC), Nomination, Remuneration and Environment, Social & Governance Committee (NR&ESG); and Insider's Dealing Committee (Management Committee)
- Developing and adopting Charters, Code of Conduct, policies & procedures; and
- Developing and enhancing the Group's delegation of authority.

2. A statement of the ownership and dealings of the members of the Board of Directors, their spouses and their children in the company's securities during the year 2022:

The Group's Insider Dealing Policy provides the framework for Board members and employees while dealing with the Company's securities. The Board is committed to complying with the policy and the following table sets forth the details of all purchases and sales of the Company's shares undertaken by our Directors, their spouses and their children in 2022:

Director	Position	Shares owned as at 31 Dec 22	Total Sale	Total Purchase
H.E. Saeed Al Tayer	Chair	-	-	-
Mr. Hussain Lootah	Director	-	-	-
Mr. Nasser Lootah	Director	-	-	-
Mr. Amit Kaushal	Director	-	-	-
Mr. Issam Kazim	Director	-	-	-
Ms. Fatma Belrehif	Director	-	-	-
Mr. Majed Al Joker	Director	-	-	-

3. Composition of the Board of Directors:

a. Statement of the formation of the current Board of Directors (with the addition of the names of the resigned and appointed members of the Board of Directors);

The Board currently consists of seven (7) members who have been appointed for a term of three (3) years on 14 October 2022. The Board has also appointed members of the ARC and NR&ESG committees as shown in the table below:

Director	Position	Category	Audit & Risk committee	Nomination, Remuneration & ESG committee
H.E. Saeed Al Tayer	Chair	Independent Non-Executive	-	-
Mr. Hussain Lootah	Director	Independent Non-Executive	Chair	-
Mr. Nasser Lootah	Director	Independent Non-Executive	Member	Chair
Mr. Amit Kaushal	Director	Non-Executive	Member	Member
Mr. Issam Kazim	Director	Independent Non-Executive	Member	-
Ms. Fatma Belrehif	Director	Independent Non-Executive	-	Member
Mr. Majed Al Joker	Director	Independent Non-Executive	-	Member

Resigned Board of Director;

Director	Position	Category	Audit & Risk committee	Nomination, Remuneration & ESG committee
Mr. Rashid Humaidan	Director	Independent Non-Executive	-	-

Profile of the current Board of Directors

H.E. Saeed Al Tayer

His Excellency Mr. Al Tayer has been the Chairman of the Company since 2010 and has been serving as a member of the Board of Directors since 2004. Mr. Al Tayer also serves as Managing Director and Chief Executive Officer of Dubai Electricity and Water Authority (DEWA) PJSC. Mr. Al Tayer has more than thirty years of experience in Dubai in the fields of telecommunications, energy and water. Mr. Al Tayer was appointed as the General Manager of Dubai Electricity Company (DEC) in 1991 and subsequently, upon the merger of DEC and Dubai Water Department (DWD), was appointed as the General Manager of DEWA. Mr. Al Tayer is also the Vice Chairman of the Supreme Council of Energy, a member of the Dubai Executive Council and the Strategic Affairs Council, a member of the Dubai Supreme Fiscal Committee and Vice Chairman of the board of directors of Emirates Global Aluminium. He is the first UAE personality to be awarded an Honorary Fellowship from the Energy Institute, UK. Mr. Al Tayer also holds various positions and director roles both within and outside of the Group.

Mr. Nasser Lootah

Mr. Nasser Lootah has been serving as a Director of the Company since 2010. Mr. Nasser Lootah has been serving as Executive Vice President of Generation (Power and Water) at DEWA since 2005, as Chairman of the Company's finance and audit committee, since 2017, and as a member of the Company's technical committee, since 2017. Mr. Nasser Lootah also serves as Advisory Committee Chairman for Dubai's Supreme Council of Energy. Mr. Nasser Lootah holds a Bachelor's Degree in Electrical and Electronics Engineering from Oregon State University, USA.

Mr. Issam Kazim

Mr. Kazim has been serving as Director of the Company since 2021. He also serves as the Chief Executive Officer of Dubai Corporation for Tourism and Commerce Marketing ("DCTCM"), which was established in December 2013 as an affiliate of Dubai's Department of Economy and Tourism. Having built and developed DCTCM from the ground up, Mr. Kazim leads all activities relating to the branding, promotion and marketing of the Emirate of Dubai. Since taking up his role as Chief Executive Officer of DCTCM, Mr. Kazim has been instrumental in negotiating and facilitating global partnerships and developing innovative destination tools and data-driven platforms to enhance the visitor experience in Dubai and scaling up the 'Visit Dubai' digital and social ecosystem. He also plays an integral role in the development of relationships with industry stakeholders, partners and investors who contribute to the overall growth in tourism in Dubai. Mr. Kazim previously served as Director of Corporate Marketing and Communication for Dubai World Trade Centre ("DWTC") and as Director of DXB Live, a subsidiary of DWTC, where he was responsible for creating and developing strategic live events such as Dubai Sports World, Dubai Music Week and Dubai Classics. He currently serves as a member of the Board of the Dubai Media Council, a position he has held since 2021.

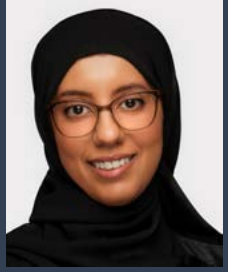
Mr. Hussain Lootah

Mr. Lootah has been serving as a Director of the Company since 2006. Mr. Lootah also serves as Executive Vice President of the Transmission Power division of DEWA, as Chairman of the Company's technical committee since 2017, and as a member of the Company's finance and audit committee since 2019. Furthermore, Mr. Lootah was Executive Vice President of Transmission and Distribution from 2006 to 2008, prior to which, Mr. Lootah has served in several roles throughout the DEWA group. Mr. Lootah also serves as a Director for four of DEWA's independent power producers.

Mr. Amit Kaushal

Mr. Kaushal has been serving as a Director of the Company since 2021. Mr. Kaushal also serves as the Chief Executive Officer of the Dubai Holding group, a position he has held since 2018. Mr. Kaushal leads Dubai Holding's operations in 13 countries, across a diverse range of sectors including real estate, hospitality, media, retail, leisure and entertainment. Under Mr. Kaushal's leadership, Dubai Holding has achieved sustainable economic growth and accomplished unparalleled results, further cementing Dubai Holding's position as one of the UAE's largest and most diverse investment conglomerates. Over the course of his tenure, Mr. Kaushal has led several transformational initiatives that have propelled Dubai's thriving tourism industry and spurred growth in strategic sectors in line with its economic diversification agenda. Mr. Kaushal has been instrumental in the success of key strategic Dubai Holding projects in the UAE and internationally, including Ain Dubai and the Brookfield Asset Management joint venture. He has also served on the boards of several regional and international hospitality, energy, retail and real estate organisations and currently serves as a director of TECOM Group PJSC and Azadea Holding Company DIFC Ltd. Mr. Kaushal has vast experience in financial services, having spent more than a decade in the earlier years of his career with leading investment banks in London and Dubai, where he worked for Goldman Sachs, UBS and Deutsche Bank across transaction advisory, structuring and capital markets disciplines. Mr. Kaushal holds a Master of Philosophy degree in Finance from the University of Cambridge and a BSc (First Class Hons.) in Mathematics, Operational Research, Statistics and Economics from the University of Warwick.

Ms. Fatma Belrehif



Ms. Belrehif has been serving as Director of the Company since 2022. She also serves as the Chief Executive Officer of Dubai Schools Inspection Bureau at the Knowledge and Human Development Authority, which sets the standards for, and assures the quality of, private schools in Dubai. Ms. Belrehif chairs the Inclusive Education Task Force in the Emirate of Dubai, as part of the "My Community...A City for Everyone" initiative under the oversight of the Higher Committee for the Protection of the Rights of People of Determination. Ms. Belrehif has been recognised as a "Distinguished Employee" by the Dubai Government Excellence Programme. Ms. Belrehif holds a Bachelor of General Science in Education from Zayed University and a Masters in Public Administration from the Mohammed Bin Rashid School of Government. Ms. Belrehif is a graduate from the Dubai Leaders 2021 Program through the Mohammed Bin Rashid Center for Leadership Development.

Mr. Majed Al Joker

Mr. Al Joker has been serving as Director of the Company since 2022. He has also been in an executive role in Dubai Airports since 2018 and in early 2022 was appointed as the Chief Operating Officer of Dubai Airports. As part of his role, Mr. Al Joker oversees Terminal Service Delivery, Airside Service Delivery, the Airport Operations Control Centre, Security, Safety and Sustainability. Mr. Al Joker previously served as Deputy Director, Airport Operations at the Abu Dhabi Airports Company and Manager, Airport Services (West Asia) for Emirates Airlines. Mr. Al Joker holds a Master's of Science degree in International Business Management from Heriot-Watt University.

b. A statement of the percentage of representation of women in the Board of Directors for the year 2022 (in the absence of representation, please indicate that there is no representation);

Ms. Fatma Belrehif represents women in the Board of Directors of the Company.

c. A statement of the reasons why no female candidacy for membership of the Board of Directors;

Not applicable.

d. Statement of remuneration, allowances and fees received by members of the Board of Directors:

i. Total remuneration of members of the Board of Directors paid for the year 2021:

Not applicable.

ii. The total remuneration proposed for the members of the Board of Directors for the year 2022, which will be presented at the annual general meeting for approval:

The Board remuneration proposal for 2022, AED 1,190,411/- plus VAT (for the period 14- Oct-22 to 31-Dec-22), will be presented for approval of shareholders in the upcoming Annual General Meeting (AGM).

iii. A statement detailing allowances for attending the sessions of the committees emanating from the Board that the members of the Board of Directors received for the fiscal year 2022:

The proposed fees (as detailed below) for attending the sessions of the committees will be presented for the approval of the shareholders at the upcoming Annual General Meeting.

Position	AR Committee	NR & ESG Committee
Chair	AED 15,000/- per meeting	AED 15,000/- per meeting
Member	AED 10,000/- per meeting	AED 10,000/- per meeting

iv. Details of allowances, salaries or additional fees received by a member of the Board of Directors other than allowances for attending committees and their reasons:

Nil.

v. The number of board meetings held during the fiscal year 2022 with an indication of the dates of their holding, and the number of personal attendance times for all members with a statement of members present by proxy (the names of the members of the Board of Directors must match as mentioned in Clause (3a) above):

The reconstituted Board held 2 meetings as detailed below:

Director	Position	21 October 2022	14 December 2022
H.E. Saeed Al Tayer	Chair	P	P
Mr. Hussain Lootah	Director	P	P
Mr. Nasser Lootah	Director	P	P
Mr. Amit Kaushal	Director	P	P
Mr. Issam Kazim	Director	A	P
Ms. Fatma Belrehif	Director	P	P
Mr. Majed Al Joker	Director	P	P

P = Present; A = Absent

vi. The number of board decisions passed by circulation during the fiscal year 2022, with an indication of the dates of their convening:

Nil.

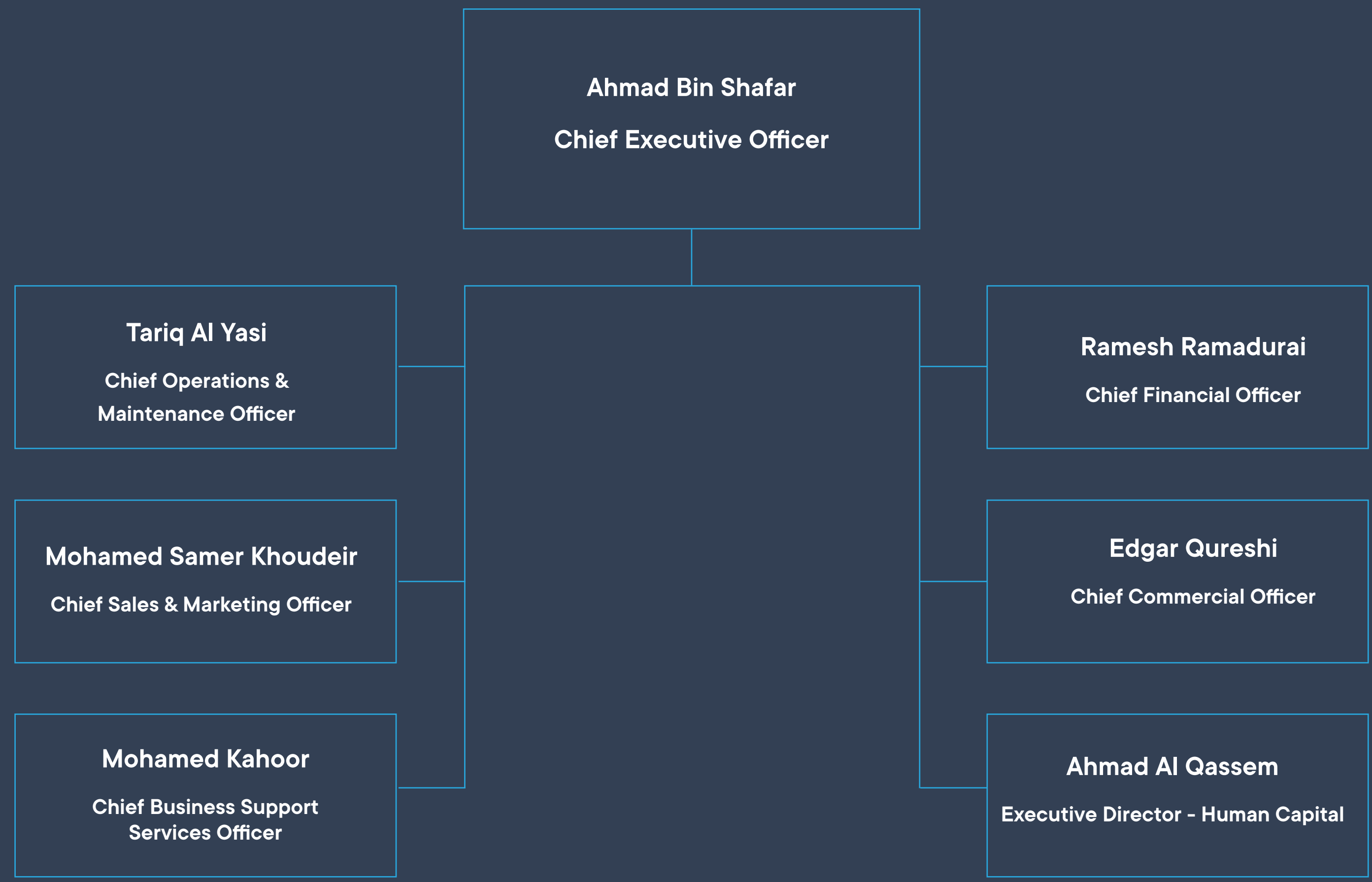
vii. A statement of the tasks and competencies of the Board of Directors that were carried out by a member of the Board or the Executive Management during the year 2022 based on an authorization from the Board, specifying the term and validity of the authorization:

The Board has delegated the day-to-day management to the Chief Executive Officer. The Board has defined and approved the Company's delegation of authority which determines the limits that may be approved by the Chief Executive Officer, Chairman and Board of Directors. This delegation of authority is reviewed on a periodic basis and revised based on the requirements of the Company.

viii. A statement of the details of transactions that took place with related parties (stakeholders) during the year 2022:

The Company has not entered into any transaction with related parties in accordance with the definitions provided for these terms in the Governance Guide. Note 12 of the consolidated financial statements for the year 2022 provides the key related party transactions as such term is defined in the International Financial Reporting Standards (IFRS) and which are already reflected in the consolidated financial statements for the year 2022, and carried out during the year in the normal course of business on the terms agreed between the parties.

ix. The organizational structure of the company:



Mr. Ahmad Bin Shafar
Chief Executive Officer

Mr. Bin Shafar joined the Group at its inception and has been serving as its Chief Executive Officer since inception. Mr. Bin Shafar has been with Group for 19 years and brings over 27 years of experience in senior management positions including eight years with Standard Chartered Bank in Corporate and Retail Banking, Finance, Marketing and Customer Relations. Under the leadership of Mr. Bin Shafar, Empower has become the World's Largest DCS provider, from a capacity perspective, within a short span of a decade. Mr. Bin Shafar also serves as the Chairman of the Board of Directors of Empower Logstor Insulated Pipe Systems (ELIPS) since 2007, as a member of the board of the International District Energy Association, since 2013, as Chairman of the District Cooling Operators' Association, Dubai since 2020, and as a member of the board of the Dubai Sports Council, from 2009 to 2022. Mr. Bin Shafar is also the chairman of Hamdan Sports Complex and Al Wasl Club, Dubai. Mr. Bin Shafar is a member of the Cranfield Management Association, of IMD International and of the American Society of Heating, Refrigerating and Air-Conditioning Engineers. Mr. Bin Shafar holds a Bachelor's of Science in Business Administration in Management from California State University, Los Angeles, USA.

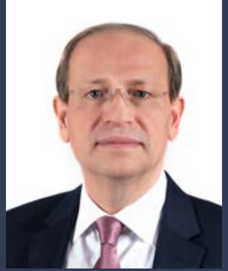
Eng. Tariq Al Yasi
Chief Operations and Maintenance Officer

Mr. Alyasi joined the Group in 2006 and has been serving as Chief Operations and Maintenance Officer since 2010 and as Acting Head of Project Management Office since 2016. Mr. Alyasi has over 25 years of experience and has been with the Group for 16 years, previously serving as Director of Operations and Maintenance for the Company from 2006 to 2010 and as a board member for Dubai Carbon Centre of Excellence from 2012 to 2019. Mr. Alyasi has also served in multiple other roles throughout the Group. Mr. Alyasi holds a Bachelor's of Science in Petroleum Engineering from the University of Tulsa, USA.

Mr. Ramesh Ramadurai
Chief Financial Officer

Mr. Ramadurai joined the Group in 2004 and has been serving as its Chief Financial Officer since 2010. Mr. Ramadurai has over 35 years of management experience in audit, financial management and planning, risk management, funding and treasury management, project financing, business strategy, project evaluation, business modelling and valuations, accounting, and statutory and management reporting. Prior to joining the Group. Mr. Ramadurai worked in TECOM Group, an indirect subsidiary of Dubai Holding, and between 1993 and 2000, he was employed with a large regional group, where he held senior management level positions handling finance and systems functions. Mr. Ramadurai also serves as a member of the board of ELIPS since 2007. Mr. Ramadurai holds a Bachelor's Degree in Commerce from the University of Madras, India, and the following professional qualifications: FCA, ACMA, ACS, CPA, CMA, CFM, CISA and CFA certifications.

Eng. Mohamed Samer Khoudeir
Chief Sales & Marketing Officer



Mr. Khoudeir joined the Group in 2005 and has been serving as Chief Sales & Marketing Officer since 2010. With over 32 years of experience in the air conditioning industry, including in the fields of heating, ventilation, air conditioning and refrigeration products and services, Mr. Khoudeir is responsible for the Group's sales, marketing and customer service functions. Mr. Khoudeir also serves as the General Manager and board member of ELIPS. Prior to joining the Group, Mr. Khoudeir held management positions at Carrier Global Corporation. Mr. Khoudeir is a member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers, the Syrian Society of Engineers and the UAE Society of Engineers. Mr. Khoudeir holds a Bachelor's Degree in Mechanical Engineering from Aleppo University, Syria, and a Post Graduate Certificate in Management from Bournemouth University, UK.

Eng. Edgar Qureshi
Chief Commercial Officer

Mr. Qureshi joined the Group in 2004 and has been serving as Chief Commercial Officer since 2014. Prior to joining the Group, Mr. Qureshi worked at TECOM Group and has over 28 years of management experience in developing commercial and project management departments in numerous high profile start-up companies. Since joining the Group, Mr. Qureshi has lead and developed the contract, commercial, procurement and legal functions of the Group and has led contractual and commercial negotiations of the Group's joint ventures and acquisitions. In addition to establishing the Group's commercial department, Mr. Qureshi was responsible for restructuring and leading the project management department and held the joint roles of Chief Commercial Officer and Chief Projects Officer for seven years between 2007 and 2014. Mr. Qureshi has also held positions of responsibility at Shire Consultancy, Laing UK, Al Owaidah General Contracting KSA/UAE, and numerous Dubai Holding and Sheikh Mohammed entities. Mr. Qureshi also serves as a board member for ELIPS. Mr. Qureshi holds a Bachelor's of Civil Engineering from Imperial College of Science, Technology and Medicine, University of London, UK and is chartered by the Institution of Civil Engineers. In addition, he has professional qualifications in Contract Law and Administration from the same institution.

Mr. Mohamed Kahoor
Chief Business Support Services Officer

Mr. Kahoor joined the Group in 2005 and has been serving as Chief Business Support Services Officer since 2019. Mr. Kahoor has over 34 years of experience in the areas of commercials, purchase, administration, stores and stock control, customer services, quality and event management. Mr. Kahoor has held senior management positions in TECOM Group and DEWA. At TECOM Group, Mr. Kahoor held the positions of Head of Administration, Director of Commercial Operations Services Corp and of Director of Protocol and Customer Services where he carried out various assignments including establishing the Hospitality Services and Protocol Affairs section and Government Operation Services section. Mr. Kahoor spent 11 years with DEWA, during which he was responsible for Stores Operations and Inventory Management. Mr. Kahoor holds a Bachelor's of Science in General Business Administration from the University of Arizona, USA.

Mr. Ahmad Al Qassem
Executive Director – Human Capital

Mr. Al Qassem joined the Group in 2013 as a Senior Manager for Human Capital, serving as Director of Human Capital from 2018 and currently as Executive Director of Human Capital since 2019. Prior to joining the group , Mr. Al Qassem served in various senior management roles for DP World, Dubai Properties Group and Serco ME. Mr. Al Qassem holds a Bachelor's Degree in Public Administration from Al-ain University, UAE.

x. A detailed statement of the senior executives, their positions and dates of appointment with a statement of the total salaries and bonuses paid to them:

Name	Position	Date of appointment
Mr. Ahmad Bin Shafar	Chief Executive Officer	20-Feb-04
Mr. Tariq Al Yasi	Chief Operations and Maintenance Officer	30-Apr-06
Mr. Ramesh Ramadurai	Chief Financial Officer	1-Apr-04
Mr. Samer Khoudeir	Chief Sales and Marketing Officer	3-Apr-05
Mr. Edgar Qureshi	Chief Commercial Officer	1-Jun-04
Mr. Mohamed Kahoor	Chief Business Support Services Officer	1-Sep-05
Mr. Ahmad Al Qassem	Executive Director – Human Capital	10-Jun-13

*The bonuses for 2022 will be considered by the NR and ESG Committee and approved by the Board in Q1 2023. The total salaries and allowances paid for 2022 to the senior management of the Company is AED 15,408,125/-.

4. External Auditor:

a. Presenting a brief about the company's auditor to the shareholders:

Established in the region for about 40 years, PwC has around 7,000 people in 12 countries across the region: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.

PwC's regional team operates across the Middle East bringing international experience delivered within the context of the region and its culture. They can bring the collective knowledge and experience of more than 295,000 people across the entire global PwC network in advisory, assurance and tax to help find the value clients are looking for.

In UAE, PwC's offices are located in Abu Dhabi, Dubai and Sharjah.

b. A statement of the fees and costs of auditing or services provided by the external auditor:

Particulars	Details
The name of the audit office and the name of auditor Partner	Audit Firm - PricewaterhouseCoopers (PwC) Partner – Mr. Murad Alnsour
The number of years he spent as an external auditor for the company	One year
The number of years spent by the partner auditor in auditing the company's accounts	One year
Total audit fees for the year 2022 (AED)	AED 850,000/-
Details and nature of other services provided by the Company's auditor and in the absence of other services this is stated explicitly	VAT and M&A related services
The value of fees and costs of other special services other than auditing the financial statements for 2022 (AED), if any, and in case of absence of any other fees, this is stated explicitly	AED 125,708/-
A statement of other services performed by an external auditor other than an auditor, during 2022 (if any) and in the absence of another external auditor, this matter is stated explicitly.	No other services provided by any other external auditor.

c. A statement showing the reservations that the company's auditor included in the interim and annual financial statements for the year 2022. In the absence of any reservations, the company must state it explicitly;

There are no reservations that the PwC included in the interim and annual financial statements for 2022.

5. The Audit Committee:

a. An acknowledgement by the Chairman of the Audit Committee of his responsibility for the committee system in the Company and his review of its work mechanism and ensuring its effectiveness:

Mr. Hussain Lootah, the Chairman of the Audit and Risk Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. The names of the members of the Audit Committee, and a statement of its terms of reference and the tasks assigned to it:

The Audit and Risk Committee assists the Board in discharging its responsibilities concerning corporate governance, internal control, risk management, financial reporting, external and internal audits, advising on the appointment of the external auditor, etc.

The Governance Guide requires that the Audit Committee must comprise at least three members who are Non-Executive Directors and have knowledge and expertise in financial and accounting matters, and at least two members must be independent. One of the independent members must be appointed as the Chairperson of the Audit Committee. The Company complies with these provisions and details of the committee members are as follows:

Director	Position
Mr. Hussain Lootah	Chair
Mr. Nasser Lootah	Member
Mr. Amit Kaushal	Member
Mr. Issam Kazim	Member

c. The number of meetings held by the Audit Committee during the year 2022 and their dates to discuss issues related to the financial statements and any other matters, and an indication of the number of times of the personal presence of the members in the meetings held:

Considering that Empower was listed on 15 November 2022, the Audit and Risk Committee meeting was held on 12 February 2023 with all the members present.

6. Nomination and Remuneration Committee:

a. An acknowledgement by the Chairman of the Nomination and Remuneration Committee of his responsibility for the committee system in the company and its review of its work mechanism and ensuring its effectiveness:

Mr. Nasser Lootah, the Chairman of the Nomination, Remuneration, Environment, Social and Governance (NR&ESG) Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. The names of the members of the Nomination and Remuneration Committee and a statement of its terms of reference and the tasks assigned to it:

The NR&ESG Committee assists the Board in discharging its responsibilities concerning the composition of the Board and its committees. It is responsible for evaluating the balance of skills, knowledge, experience, size, structure and composition of the Board and its committees and, in particular, for monitoring the independent status of the independent non-executive directors. In addition, NR&ESG committee assists the Board in determining its responsibilities concerning remuneration, including making recommendations to the Board on the Company's policy on executive remuneration and reviewing and overseeing the Company's ESG strategy and objectives.

The Governance Guide requires that the Nomination and Remuneration Committee must comprise at least three members who are Non-Executive Directors, of whom at least two members must be independent. One of the independent members must be appointed as the Chairperson of the Nomination and Remuneration Committee. The Company complies with these provisions and the details of the committee members are as follows:

Director	Position
Mr. Nasser Lootah	Chair
Mr. Amit Kaushal	Member
Ms. Fatma Belrehif	Member
Mr. Majed Al Joker	Member

c. A statement of the number of meetings held by the Committee during the year 2022 and the dates of their holding, with an indication of the number of personal attendance times of all members of the Committee:

Considering that Empower was listed on 15 November 2022, the NR&ESG Committee meeting was held on 16 February 2023 with all the members present. Prior to that, Empower's Board was discharging the duties of the NR&ESG Committee and the Board had met on 10 Feb 2022 and 17 May 2022 (besides 21 Oct 22 and 14 Dec 22).

7. A committee to follow up and supervise the dealings of insiders:

a. An acknowledgement by the committee chairman or the person authorized to be responsible for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness:

Mr. Mohamed Kahoor, the Chairman of the Insiders Dealing Committee acknowledges his responsibility for the committee system in the Company and for reviewing its work mechanism and ensuring its effectiveness.

b. The names of the members of the committee for follow-up and supervision of insider dealings, and a statement of its terms of reference and tasks assigned to it:

The Committee is responsible for ensuring compliance with Insider Dealing Policy approved by the Board of Directors. The members of the committee includes:

Name	Designation	Position in the Committee
Mr. Mohamed Kahoor	Chief Business Support Services Officer	Chair
Mr. Ahmad Al Qassem	Executive Director - Human Capital	Member
Mr. Murugesan Vasanthan	Director - Internal Audit	Member

c. A summary of the committee's work report during the year 2022 (if the committee is not formed, the reasons for this will be explained):

The Committee will review the compliance with the policy approved by the Board of Directors during the year 2023.

8. Other committees approved by the Board of Directors:

Currently there are no other committees approved by the Board of Directors.

9. Internal Control System:

a. An acknowledgement by the Board of its responsibility for the internal control system in the company and its review of its work mechanism and ensuring its effectiveness:

The Board of Directors acknowledges responsibility for the company's Internal Control system including reviewing and ensuring its effectiveness. To effectively discharge this obligation, the board has formed an Audit & Risk Committee with a mandate of overseeing, reviewing, and assessing the effectiveness of the Company's corporate governance, disclosure, internal control, and risk management systems. The committee is also required to review internal control reports and follow up on the implementation of the corrective measures in respect of any control gaps.

b. The name of the department manager, his qualifications, and the date of appointment:

The Internal Audit department is headed by Mr. Murugesan Vasanthan, who joined the company as Director of Internal Audit in 2013. He has over 29 years of experience in internal audit and finance, particularly in the execution of financial, operational and compliance audits and fraud investigations across IT, consumer care, engineering and utilities businesses in US, Europe, India and Middle East regions. Mr. Vasanthan holds a Bachelor's Degree in Corporate Secretaryship from the University of Madras, India, and has ACA and CMA professional qualifications from ICAI & ICMA, India.

c. The name of the compliance officer, his qualifications, and the date of appointment:

Mr. Rafiq Al Shahbaz, senior legal advisor, joined Empower in 2006, has been assigned the responsibility of the compliance officer and he has the following qualifications;

Bachelor of Arts Degree from Temple University, College of Arts and Sciences
Juris Doctorate from Thurgood Marshall School of Law, Texas Southern University
Executive MBA, Business Administration and Management, London Business School
National University of Singapore, Joint ASEAN Bangkok Summer Programme, International Business, Trade and Tax Law
Member, Chartered Institute of Arbitrators
Member, Texas Bar Association
Member, National Bar Association
Member, Phi Delta Phi

d. How the Internal Control Department deals with any major problems in the company or those that have been disclosed in the annual reports and accounts (in the absence of significant problems, it should be mentioned that the company did not encounter any problems):

Internal Audit department was established in 2013 with a mission to pursue excellence in audit through continuous quality improvement and meet stakeholder expectations and enable business in implementing robust governance process.

In 2022, Internal Audit department has conducted 5 Internal Control reviews covering critical business processes and high risk areas based on the risk assessment conducted by Internal Audit. The control improvements and gaps identified are reported to the management. The management has been addressing the control issues in a time-bound manner. In addition, the Internal Audit department has conducted 9 other reviews covering Fixed Asset verification, Revenue Assurance, IT Governance, District Cooling Plant and Project (QHSE) Site Audits, Inventory Verification, Information Security Regulations (Incident Management System) and Follow up reviews of Fixed Assets accounting and OPEX procurement.

There were no major problems faced by the company in 2022.

e. The number of reports issued by the Internal Control Department to the company's board of directors:

From 15 November 22, the date of listing of the Company in the DFM till 31 December 22, no Audit & Risk committee meetings were held,

However, henceforth, as and when Audit & Risk committee meetings are held the Internal Audit reports will be presented to the committee.

10. Details of the violations committed during the year 2022, an explanation of their causes, and how to address them and avoid their recurrence in future:

No violations were committed by the Company during 2022.

11. A statement of the monetary and in-kind contributions that the company made during the year 2022 in developing the local community and preserving the environment (in the absence of contributions, it should be mentioned that the company did not make any contributions):

S.No.	Description	Value (AED)
1	Ramadan Iftar meals to Plant staff	41,010
2	Breast Cancer awareness campaign	In Kind
3	Sponsorship of World Green Economy summit 2022	200,000
4	Annual Blood Donation Campaign	In Kind
5	Assistance to Senior Happiness Center	In Kind
6	Sponsorship of Arab Mens National Team Basketball championship	105,000

12. General Information:

a. A statement of the company's share price in the market (closing price, highest price and lowest price) at the end of each month during the fiscal year 2022:

The Company was admitted to trading on DFM on 15-November-22. The share price activity tabulated below is for the period November to December 2022.

2022	High (AED)	Low (AED)	Close (AED)
November	1.45	1.31	1.34
December	1.42	1.34	1.42

b. A statement of the comparative performance of the company's shares with the general market index and the sector index to which company belongs during the year 2022:

2022	Empower (AED)	DFMGI	Utilities Index
November	1.34	3,323.96	856.48
December	1.42	3,336.07	856.18

c. Statement of shareholder ownership distribution as of 31-Dec-2022 (individuals, companies, government) classified as follows:

Category	Percentage of shares owned			
	Individuals	Companies	Government	Total
Local	2.70%	28.02%	57.79%	88.51%
Arab	0.38%	3.19%	-	3.57%
Foreign	0.32%	6.96%	0.64%	7.92%
Total	**3.40%**	**38.17%**	**58.43%**	**100.00%**

d. A statement of the shareholders who own 5% or more of the company's capital as of 31-Dec-2022:

Name	No. of Shares	% of Shares
Dubai Electricity and Water Authority PJSC (DEWA)	5,600,000,000	56%
Emirates Power Investment LLC	2,400,000,000	24%

e. A statement of how shareholders are distributed according to ownership size as of 31-Dec-22:

Share ownership (shares)	No. of shareholders	No. of shares owned	Proportion of shares owned by the capital
Less than 50,000	15,452	32,262,556	0.32%
From 50,000 to less than 500,000	379	67,670,872	0.68%
From 500,000 to less than 5,000,000	229	379,219,158	3.79%
More than 5,000,000	52	9,520,847,414	95.21%`

f. A statement of the procedures that have been taken regarding investor relations controls, with a statement of the following:
The name of the investor relations officer
Contact information for the investor relations officer (email, phone)

The name and contact information of the Investor Relations Officer:
Mr. Chander Bherumal
Tel: 04-375 5555
Email: investor.relations@empower.ae
The electronic link to the Investor Relations page on the company's website
Link: https://www.empower.ae/investor-relations/

g. A statement of the special decisions that were presented in the General Assembly held during the year 2022 and the actions taken in this regard:

Considering that Empower was listed on 15 November 2022, no General Assembly was held during the year 2022 and its first General Assembly will take place during the year 2023.

h. The name of the secretary of the Board of Directors meetings and the date of his appointment:

Mr. Rafiq Al Shahbaz has been appointed as the secretary of the Board of Directors for the year 2022. Mr. Rafiq has a Bachelor's Degree of Arts, Masters in Business Administration & Management and Juris Doctorate of Law.

The appointment of Mr. Rafiq as secretary is a temporary appointment and the Company is in the process of appointing a permanent secretary.

i. A detailed statement of the significant events and important disclosures that the company encountered during the year 2022:

- Listing on the Dubai Financial Market
- Recognition by Dubai Chambers with advanced label in Corporate Social Responsibility (CSR)
- Gold Awards from International District Energy Association (IDEA), USA
- Awards for its support towards WETEX & WGES
- Emirates Energy Award 2022
- Golden Bridge Awards 2022
- Commencement of Za'abeel & Business Bay 05 plant operations
- Construction of DLRC Plant
- Interconnection of Business Bay Upper and Lower networks
- Connection to the 'Peninsula' project & Aykon Towers
- Executed agreement to supply the largest project in Business Bay with 10,915 RT (Select Group)
- ISO Re-certifications
- Summer Campaign for customers
- Launch of Empower's official social media accounts
- WETEX 2022 Sponsorship
- Participation in the World Green Economy Summit (WGES) 2022 as a Platinum Sponsor
- Sponsored the 24th edition of the Arab Nations Basketball Championship

j. A statement of the deals the company made with related parties during the year 2022, which are equal to 5% or more of the company's capital:

The Company has not entered into any transaction with related parties in accordance with the definitions provided for these terms in the Governance Guide. Note 12 of the consolidated financial statements for the year 2022 provides the key related party transactions as such term is defined in the International Financial Reporting Standards (IFRS) and which are already reflected in the consolidated financial statements for the year 2022, and carried out during the year in the normal course of business on the terms agreed between the parties.

k. A statement of the percentage of Emiratisation in the company by the end of the years 2020, 2021, 2022 (excluding workers for companies operating in the contracting field):

The % of Emirati employees out of Empower's total head office employees is as tabulated below:

Employees	2020	2021	2022
Emirati	32%	33%	33%

l. A statement of the innovative projects and initiatives undertaken by the company or under development during the year 2022:

Empower makes continuous efforts to innovate solutions and undertake initiatives that can bring efficiencies and enhance its service delivery to customers. It has won various accolades and awards for innovations from industry associations such as International District Energy Association (IDEA), etc. During the year 2022, Empower implemented the following innovative projects:

Development	Initiative
Dragon Mart (DM)	Enhanced efficiency of the system by inter-connecting DM 1 and DM 2 plants acquired from Nakheel during the year 2021
City of Arabia	Implementation of machine learning program
DIFC	Installation of disc filter at Reverse Osmosis (RO) plant to ease the load on the Ultrafiltration (UF) leading to lower Clean-in-place (CIP) / Backwash cycles therefore savings water and chemicals
Business Bay	Machine Learning support for optimization of equipment; data assessment and adjustment for optimized operational parameters.
Discovery Gardens	Implementation of EMsmART to observe process contractual compliance for ETS
Information technology	Implemented Crowdstrike, an endpoint security solution based on Artificial Intelligence, ensuring higher protection from growing cyber-attacks.

Signatures

Chairman, Board of Directors	
Chairman, Audit and Risk Committee	ZorroSigned 8DB1892AA881A8F 27-Feb-2023
Chairman, Nomination, Remuneration & ESG Committee	ZorroSigned 8DB18945C6B9E3C 27-Feb-2023
Director - Internal Audit	ZorroSigned 8DB1891DAEA502B 27-Feb-2023

6 Sustainability

Sustainability

At Empower, we continuously focus on reducing our environmental impact, improving our social responsibility with best-in-class governance to ensure that our business practices are ethical, transparent and accountable.

Some of our sustainability efforts & progress are highlighted below:

Integrated Management System:

Empower has designed its business model on an integrated platform to ensure Quality, Heath & Safety, Environment, Information Security and Business Continuity elements are taken care for all its stakeholders.

Integrated Management System (IMS) of Empower has been developed in line with International Standards and certified for Occupational Quality Management System (ISO 9001:2015), Environment Management System (ISO 14001:2015), Health & Safety Management System (ISO 45001:2018) and Information Security Management System (ISO 27001:2013).

Empower has integrated QHSE policy which is documented, approved by top management and is implemented holistically across all departments of Empower.

Environment

We are committed to protecting the environment by following a sustainable operating model, ensuring resource efficiency and reducing energy use, waste, pollution and carbon footprint across our operations.

Towards energy use optimization and resource use efficiency measures, Empower has implemented the following tangible measures that has resulted in considerable savings in terms of desired metrics:

a) Electricity usage optimization:

- Systematic operations & maintenance processes & control measures ensures optimum utilization of electricity, which is monitored by centralized Command Control Center (CCC).
- Benchmarking and tracking of energy usage KPI parameters for operational teams.
- Implementation of Innovative Demand Flow proprietary system from a leading BMS solution provider to optimize the integrated solution for energy savings on the complete chilled water system.
- Effective summer campaigns to educate the customers to fix their AC thermostats at 24^{o} C Auto mode for optimised cooling and electricity consumption.

b) Water resource management:

- Systematic Operations & Maintenance processes & control measures ensures optimum utilization of water, which is monitored by centralized Command Control Center (CCC).
- Installation of (RO) plants in all upcoming projects and monitoring its performances.
- Increased use of TSE for cooling tower operations.
- Benchmarking and tracking of Water usage KPI.
- Use of 3D Trasar instantaneous controllers for make-up water and blowdown based on process variables replacing the old timer-based technology.

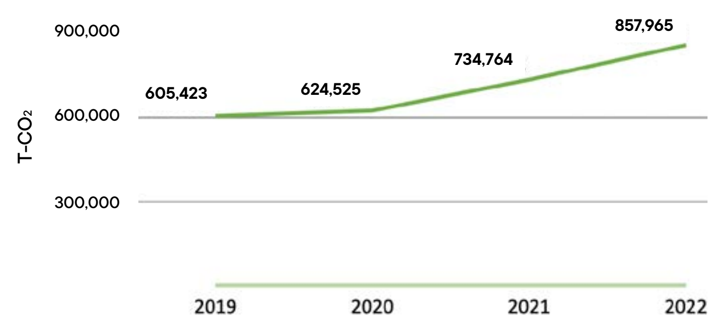
c) Pollution & Waste Management:

- Installation of Refrigerant Leakage Detection System (RLDS) that sends an alarm in case of leakage, in all chillers.
- Benchmarking and monitoring of refrigerant top-up KPI parameters.
- Minimizing the likely environmental impact of the disposal of transformer oil by filtration and reuse. Out of about 75,750 litres of transformer oil, only 400 litres of oil has been topped up in the transformers since 2008.
- Active participation in "Let's Reduce and Recycle" campaigns in collaboration with Dubai Chamber and Ecyclex International Recycling LLC (a NGO) for recycling and disposal of papers, cartons, plastic, glass, batteries, faulty tubes, general waste, metal tins and aerosols.

d) Carbon footprint management:

- Systematic O&M process to optimize electricity and water plays crucial role in saving CO_2 for Empower.
- Empower pioneered identification of methodology to measure CO_2 reductions in District Cooling Industry. Empower proposed new methodology for Clean Development Mechanism (CDM) related to district cooling system and the methodology has been approved in November 2016 in the 92nd UN Executive Board held in Marrakech, Morocco.
- Empower is saving substantial amount of CO_2 & details are as shown below:

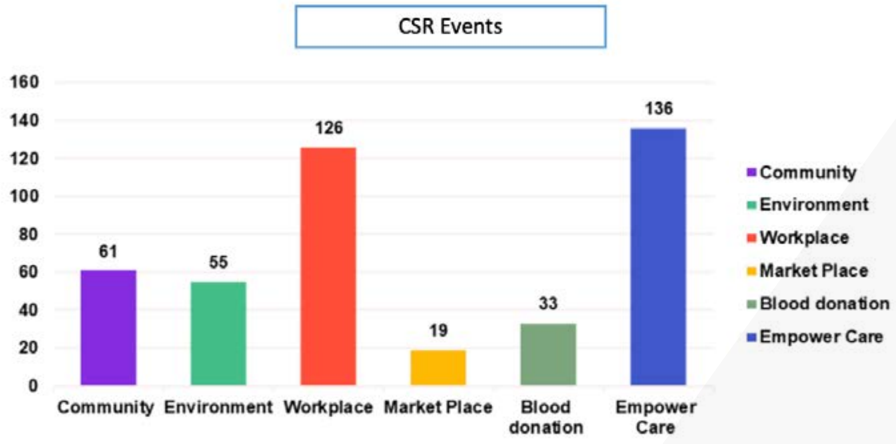
Total CO_2 Reductions Trend



- Installation of Thermal Energy Storage Tanks (TES) coupled with Artificial Intelligence (AI) technology to operate the TES to optimize the peak energy usage of electricity that helps shaving off peak-time pressure on the State Power Grid by producing chilled water during off-peak hours and using it during peak times.
- Ambitious plans to install Solar PV cells in staff accommodation and Business Bay plant to benefit from the renewable energy technology and save on the electrical consumption as much as possible, which will be extended further to cover all plant facilities.

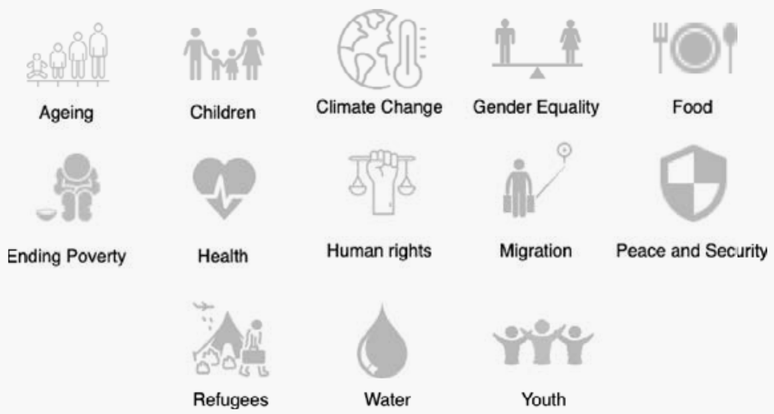
Social

The Corporate Social Responsibility (CSR) activities of Empower, has significant impacts on all the pillars of CSR including environment, community, marketplace, and workplace. Since 2008, we have conducted 430 activities, covering about 14,000 beneficiaries, with the active participation and collaboration of volunteers (both internal and external), Government agencies, institutions and community development organizations.



Our community activities are chosen based on the United Nations Organization's Sustainable Development Goals. Our CSR events are also interlinked to the United Nations global issues, which includes the following issues.

The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.



Community outreach

Empower's Community outreach programmes regularly features the following activities:

a) Arranging blood donation campaigns in collaboration with Dubai Blood Donation Centre and Dubai Health Authority with active participation from volunteers consisting of employees, contractors, suppliers and general public

b) Support to People of Determination by supporting their activities and exhibiting their skill sets through promotion of sale of items and crafts in association with Dubai club for People of Determination, Special Needs Centre and DEWA.

c) Addressing the needs of senior citizens by visting to Senior Happiness Centers and appropriate counselling through Community Development Authority (CDA) experts and counsellors.

Workplace outreach

Some of our workplace outreach programmes includes the following activities:

a) Workplace support to plant staff by providing Iftar meals during Ramadan month

b) Annual health awareness campaigns to all staff in accommodation and office

c) Specialised health awareness sessions for target groups – breast cancer awareness for female staff and occupational health & safety sessions for operational staff.

Marketplace outreach

Market place outreach programmes of Empower targets customers, building owners, suppliers, contractors and other governmental agency stakeholders. These outreach programmes are designed to create a positive impact on the society that nutures Empower's growth.

These outreach programmes includes the following:

a) Customer handouts and fliers about energy saving techniques, financial and billing literacy and other customer centric activities through customer care centres and call centers.

b) Special meetings to address concerns of targeted customers and building owners.

c) Arranging district cooling technology knowledge sharing through publication of manuals, standards and arranging plant visits.

d) Active participation in Water, Energy, Technology, Environment Exhibition (WETEX), International District Energy Association (IDEA) and American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) conferences,

Health & Safety Statistics

- 1,331 number of QHSE site inspections were carried out during 2022.
- 853 training sessions conducted for Information Security Regulations, Quality, Health Safety & Environment.
- 5,488 people were provided training in 2022 on QHSE.
- In 2022, five fire drills have been conducted by partnering with Dubai Civil Defense, Dubai Police and Dubai Ambulance for testing the emergency procedures.
- Additionally, 33 mock fire drills were conducted in various Empower District Cooling plants.
- In 2022, Empower achieved 2,534,400 Safe Man-hours

Health & Safety Risk Management

Empower has a holistic approach when it comes for planning, documenting and implementing the Occupational Health & Safety (OH&S) Risk Management which is most crucial exercise to implement safe work practices in Empower.

7 Financials

Directors' report

for the year ended 31 December 2022

The Board of Directors present their report and audited 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 year ended 31 December 2022.

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 has achieved a turnover of AED 2,792,539 thousand and has recorded a net profit attributable to the owners of the Parent amounting to AED 1,000,567 thousand for the year ended 31 December 2022.

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.

The Board of Directors of the Company has proposed a dividend of AED 425,000 thousand out of the net profit of the Group for the year ended 31 December 2022, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Outlook

Underlying the robust performance in 2022, the Group look forward to 2023 with more organic and inorganic opportunities in the region. Driven by an ambitious strategy and operating within the established successful operating model, the efforts are directed towards increasing the market share within UAE.

Directors

The Directors who held office during the year, their Committee memberships and functions, as at 31 December 2022 were as follows:

Name and designation	Date of appointment/ reappointment	Date of resignation	Committee Memberships
H.E. Saeed Mohammed Ahmad Al Tayer *Chairman*	14 October 2022	Not applicable	Not applicable
Mr.Nasser Mohammed Bin Lootah *Director*	14 October 2022	Not applicable	Audit and risk committee (Committee Member), Nomination, Remuneration and ESG Committee (Committee Chairman)
Mr. Hussain Essa Ibrahim Lootah *Director*	14 October 2022	Not applicable	Audit and risk committee (Committee Chairman)
Mr. Amit Kaushal *Director*	14 October 2022	Not applicable	Audit and risk committee (Committee Member), Nomination, Remuneration and ESG Committee (Committee Member)
Mr. Issam Abdulrahim Abdulla Kazim *Director*	14 October 2022	Not applicable	Audit and risk committee (Committee Member)
Mrs. Fatma Ibrahim Abdulla Belrehif *Director*	14 October 2022	Not applicable	Nomination, Remuneration and ESG Committee (Committee Member)
Mr. Majed Sultan Murad Ali Al Joker *Director*	14 October 2022	Not applicable	Nomination, Remuneration and ESG Committee (Committee Member)
Mr. Rashed Mohammad Juma Humaidan *Director*	10 January 2022	14 October 2022	Not applicable

Auditors

PricewaterhouseCoopers were appointed as external auditors of the Group for the year ended 31 December 2022. PricewaterhouseCoopers are eligible for reappointment as auditors for 2023 and have expressed their willingness to continue in office.

On behalf of the Board

H.E Saeed Mohammed Ahmad Al Tayer
Chairman
12th February 2023

Independent auditor’s report

Independent auditor’s report to the shareholders of Emirates Central Cooling Systems Corporation P.J.S.C (formerly Emirates Central Cooling Systems Corporation)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated 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 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Accuracy of revenue from consumption charges

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Accuracy of revenue from consumption charges The Group reported revenues from district cooling services of AED 2,766,231 thousand for the year ended 31 December 2022 of which AED 1,462,983 thousand relating to consumption revenue, which is based on variable outputs consumed by the customers. Auditing consumption revenue component recorded by the Group is complex due to IT systems used in initiation, processing and recording of transactions, which includes a high volume of individually low monetary value transactions. The revenue is based on meter readings from the system and pre-defined rates. There is inherent risk around the accuracy of the recognised consumption revenue given the complexity of the systems and consequently we considered this to be a key audit matter	**We carried out the following procedures:** • We gained an understanding of the control environment related to revenue processes and identified the relevant controls, IT systems, interfaces and reports; • We evaluated the control environment by testing the general IT controls over the main systems and applications involved in the revenue recording process; • We assessed the design and operating effectiveness of controls over the capture and recording of revenue transactions; • We evaluated the management's controls over the authorisation of rate changes and the input of this information into the billing systems, as well as the calculation of amounts billed to customers. We also tested a sample of customer bills for accuracy; • We evaluated the controls in place over manual intervention and modification of metering data, which is restricted to the meter data management system, and the manual intervention of master billing data that is restricted to the billing team; • We evaluated the interface between billing system and financial reporting system ; • We recalculated the amount of revenue recognised on a sample basis and have traced the fixed rates to the signed customer agreements and billing system; • We traced consumption charges and fuel surcharge billed to the customer to its invoices on a sample basis. We have also traced the rates and meter readings on the invoices; and • We assessed the appropriateness of the accounting policies and disclosures made in the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Company's Annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

- Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:
- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the books of account of the Group;
- as disclosed in note 1 to the consolidated financial statements the Group has not purchased or invested in any shares during the year ended 31 December 2022;
- note 12 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

PricewaterhouseCoopers
12 February 2023

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

Financial statement

Consolidated statement of financial position

As at 31 December

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,993,939	7,032,991
Right-of-use assets	6	2,943	13,412
Intangible assets	7	352,139	364,296
Financial assets at amortised cost	8	301,003	305,164
Financial assets at fair value through other comprehensive income	9	52,911	58,113
Investment properties	37	72,859	-
Investment in a joint venture		307	307
		7,776,101	7,774,283
Current assets			
Inventories	10	46,151	27,018
Trade and other receivables	11	311,965	274,498
Due from related parties	12	31,396	3,618
Financial assets at amortised cost	8	4,154	3,911
Financial assets at fair value through profit or loss	13	-	100,000
Term deposits	14	11,300	114,800
Cash and cash equivalents	15	1,473,908	1,245,588
		1,878,874	1,769,433
Total assets		**9,654,975**	**9,543,716**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	16	1,000,000	1,000,000
Statutory reserve	17	500,000	500,000
Other reserves		5,836	2,741
Contributed capital	18	82,190	82,190
Retained earnings		1,444,591	3,844,024
		3,032,617	5,428,955
Non-controlling interests		2,125	1,937
Total equity		**3,034,742**	**5,430,892**

	Notes	2022 AED'000	2021 AED'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	4,489,586	987,666
Government grant	20	308,338	370,890
Provision for employees' end of service benefits	21	56,035	49,703
Retentions payable	22	5,257	35,318
Lease liabilities	6	729	11,939
		4,859,945	1,455,516
Current liabilities			
Trade and other payables	22	1,497,509	1,485,009
Due to related parties	12	257,267	166,287
Bank borrowings	19	-	1,000,219
Government grant	20	3,170	2,780
Lease liabilities	6	2,342	3,013
		1,760,288	2,657,308
Total liabilities		**6,620,233**	**4,112,824**
Total equity and liabilities		**9,654,975**	**9,543,716**

To the best of our knowledge, the consolidated financial statements fairly present in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of and for the year ended 31 December 2022. These consolidated financial statements were approved by the Board of Directors on 12 February 2023 and were signed on their behalf by:

Chief Executive Officer

Chairman

Consolidated statement of comprehensive income

Year ended 31 December

		2022	2021
	Notes	AED'000	AED'000
Revenue	23	2,792,539	2,463,874
Interest income on financial asset at amortised cost		18,545	-
Cost of sales	25	(1,551,848)	(1,394,449)
Impairment reversal of project cost	28	12,727	32,328
Gross profit		1,271,963	1,101,753
General and administrative expenses	26	(209,977)	(175,881)
Provision for expected credit losses	11	(17,865)	(8,568)
Other income	29	7,765	16,172
Operating profit		1,051,886	933,476
Finance income	30	35,554	11,633
Finance costs	30	(86,685)	(9,127)
Finance (costs)/ income - net		(51,131)	2,506
Net profit for the year		1,000,755	935,982
Profit attributable to:			
Equity holders of the Company		1,000,567	935,860
Non-controlling interests		188	122
		1,000,755	935,982
Basic and diluted earning per share for profit attributable to the owners of the Parent (AED)	**35**	**0.100**	**0.094**

		2022	2021
	Notes	AED'000	AED'000
Profit for the year		**1,000,755**	**935,982**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		(5,202)	460
Remeasurement of post-employment benefit obligations		8,297	-
Other comprehensive income for the year		**3,095**	**460**
Total comprehensive income for the year		**1,003,850**	**936,442**

Total comprehensive income for the year attributable to:		
Owners of the Parent	1,003,662	936,320
Non-controlling interests	188	122
	1,003,850	**936,442**

Consolidated statement of changes in equity

Attributable to equity holders of the Company

	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Contributed capital	Total equity	Non-controlling interests	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2021		**1,000,000**	**500,000**	**2,281**	**3,208,164**	**82,190**	**4,792,635**	**2,115**	**4,794,750**
Total comprehensive income for the year									
Profit for the year		-	-	-	935,860	-	935,860	122	935,982
Other comprehensive income									
Other comprehensive income for the year	9	-	-	460	-	-	460	-	460
Total comprehensive income for the year		**-**	**-**	**460**	**935,860**	**-**	**936,320**	**122**	**936,442**
Transaction with owners in their capacity as owners:									
Dividends declared	39	-	-	-	(300,000)	-	(300,000)	(300)	(300,300)
At 31 December 2021		**1,000,000**	**500,000**	**2,741**	**3,844,024**	**82,190**	**5,428,955**	**1,937**	**5,430,892**
At 1 January 2022		**1,000,000**	**500,000**	**2,741**	**3,844,024**	**82,190**	**5,428,955**	**1,937**	**5,430,892**
Total comprehensive income for the year									
Profit for the year		-	-	-	1,000,567	-	1,000,567	188	1,000,755
Other comprehensive income									
Other comprehensive income for the year		-	-	3,095	-	-	3,095	-	3,095
Total comprehensive income for the year		**-**	**-**	**3,095**	**1,000,567**	**-**	**1,003,662**	**188**	**1,003,850**
Transaction with owners in their capacity as owners:									
Dividends declared	39	-	-	-	(3,400,000)	-	(3,400,000)	-	(3,400,000)
At 31 December 2022		**1,000,000**	**500,000**	**5,836**	**1,444,591**	**82,190**	**3,032,617**	**2,125**	**3,034,742**

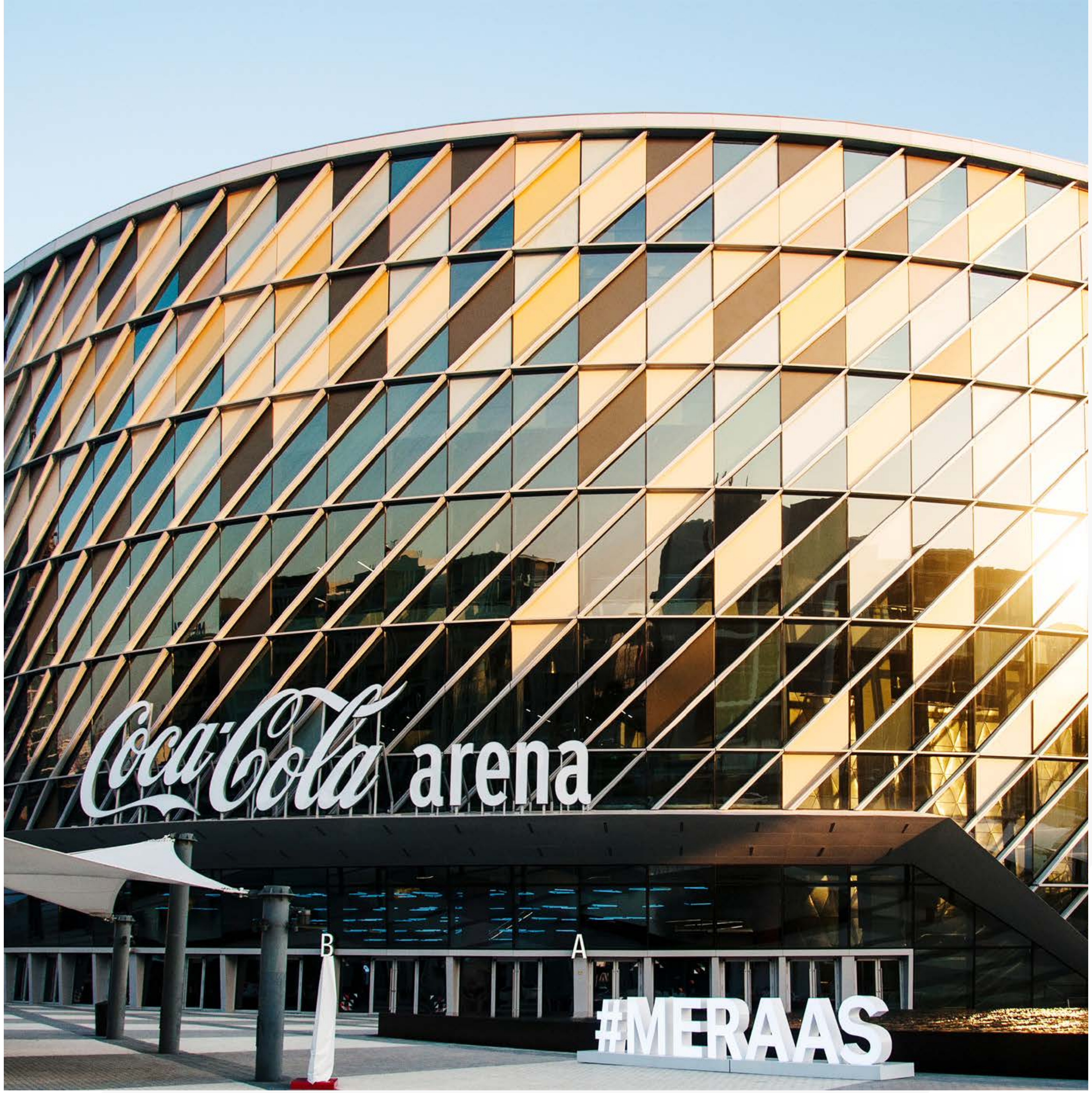
Consolidated statement of cash flows

Year ended 31 December

	Note	2022	2021
		AED'000	AED'000
Cash flows from operating activities			
Net profit for the year		**1,000,755**	**935,982**
Adjustments for:			
Depreciation of property, plant and equipment	5	311,807	304,965
Depreciation of right-of-use assets	6	2,868	6,187
Amortisation of intangible assets	7	12,157	400
Settlement of financial assets	8	22,463	739
Impairment reversal of project costs	28	(12,727)	(32,328)
Amortisation of arrangement fee	30	8,476	1,599
Gain on disposal of property, plant and equipment		(29)	(27)
Gain on modification of right-of-use assets	6	(1,461)	-
Net impairment losses on financial assets	11	17,865	8,568
Provision for employees' end of service benefits	21	15,968	5,523
Provision for impairment of slow moving and obsolete inventories	10	361	-
Interest on lease liabilities	30	295	712
Interest income earned on financial assets at amortised cost	8	(18,545)	(610)
Finance income	30	(35,554)	(11,023)
Interest expense on bank borrowings	30	90,652	20,063
Government grant income	20	(2,780)	(2,780)
Operating cash flows before changes in working capital and payment of employees' end of service benefits		**1,412,571**	**1,237,970**
Changes in working capital:			
Inventories		(19,494)	8,063
Trade and other receivables before advances		(77,130)	6,022
Due from related parties		(27,778)	10,853

	Notes	2022	2021
		AED'000	AED'000
Trade and other payables		46,826	37,527
Due to related parties		90,980	67,041
Cash generated from operations		1,425,975	1,367,476
Payment of employees' end of service benefits	21	(1,339)	(1,270)
Net cash generated from operating activities		**1,424,636**	**1,366,206**
Cash flows from investing activities			
Acquisition of subsidiary	32	-	(668,294)
Additions to property, plant and equipment		(434,860)	(571,580)
Short-term deposits (more than 3 months) redeemed/(invested)		103,500	(97,300)
Redemption/(investment) in financial assets at fair value through profit and loss	13	100,000	(100,000)
Finance income received	30	35,554	11,023
Proceeds from disposal of property, plant and equipment		29	27
Net cash used in investing activities		**(195,777)**	**(1,426,124)**
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee		5,406,211	917,294
Repayment of bank borrowings	19	(2,912,984)	(253,047)
Dividends paid		(3,400,000)	(400,300)
Lease payments – Principal and interest	6	(3,114)	(7,574)
Finance costs paid	30	(90,652)	(20,063)
Net cash (used in)/ generated from financing activities		**(1,000,539)**	**236,310**
Net increase in cash and cash equivalents		**228,320**	**176,392**
Cash and cash equivalents at the beginning of the year		1,245,588	1,069,196
Cash and cash equivalents at the end of the year	**15**	**1,473,908**	**1,245,588**

Non- cash transactions are disclosed in Note 36.



Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented

	Note	2022 AED'000	2021 AED'000
Cash and cash equivalents	15	1,473,908	1,245,588
Borrowings-repayable within one year	19	-	(1,000,219)
Borrowings-repayable after one year	19	(4,489,586)	(987,666)
		(3,015,678)	**(742,297)**
Lease liabilities	6	(3,071)	(14,952)
Net debt		**(3,018,749)**	**(757,249)**
Cash and cash equivalents	15	1,473,908	1,245,588
Lease liabilities	6	(3,071)	(14,952)
		1,470,837	1,230,636
Gross debt-fixed interest rates		-	-
Gross debt-variable interest rates	19	(4,489,586)	(1,987,885)
		(3,018,749)	**(757,249)**

Notes to be Consolidated Financial Statements for the year ended 31 December 2022

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 System Corporation Incorporation Law for the year 2003" ("the Decree"). The Company was established as a joint venture between Dubai Electricity and Water Authority ("DEWA"), which is ultimately owned by the Government of Dubai, 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 consolidated financial statements relate to the Company and its subsidiaries (jointly referred to as "the Group").

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which is applicable to the Company.

The Company has the following subsidiaries

Subsidiary	Principal activities	Beneficial holding	
		2022	2021
Empower Logstor LLC ("ELIPS")	Manufacturing of pre-insulated pipes, primarily for district cooling	97.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and providing air-conditioning, ventilation and refrigeration services	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and providing air-conditioning, ventilator and refrigeration services	99.5%	99.5%
Empower FM LLC	Installation of air conditioning, ventilation and purification systems, as well as repairs and maintenance	100%	100%
Empower Engineering & Consultancy LLC	Consultancy services for project development	100%	100%
Empower Snow LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100%	100%

ELIPS was established during the year 2007 with the Company owning a 51% share and Logstor Holding, Denmark owning the remaining 49% shareholding. In 2012, the Company increased its shareholding to 97% in ELIPS and diluted Logstor Holding, Denmark's interest to 3%.

During 2013, EMPOWER acquired 99.5% interest in Palm Utilities LLC ("PU") and 99.9% interest in its subsidiary Palm District Cooling LLC ("PDC").

During 2020, the Company established two subsidiaries, namely Empower FM LLC and Empower Engineering & Consultancy LLC with a 100% shareholding in each. The principal activities of Empower FM LLC and Empower Engineering & Consultancy LLC are shown in the table above.

During 2021, the Company acquired 100% interest in Empower Snow LLC, a company providing District Cooling Services for various projects developed and owned by a Master Developer Nakheel PJSC for a purchase consideration of AED 673,900,000.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2022.

The consolidated financial statements for the year ended 31 December 2022 were authorised for issue on 12 February 2023.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards adopted by the Group during the year

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements.

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37
- Annual improvements to IFRS standards 2018-2020

The Group did not have to change its accounting policies or made retrospective adjustments as a result of adopting these amended standards.

(b) New standards, amendments and interpretations not yet adopted 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 consolidated financial statements are disclosed below:

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 - (effective 1 January 2023) 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;
- Disclosure of accounting policies- Amendments to IAS 1 and IFRS Practice statement 2 (effective 1 January 2023) - The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- Definition of Accounting Estimates – Amendments to IAS 8 (effective 1 January 2023)- The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to specific areas of IFRS 17 including effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses, other amendments including scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets

and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.
- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12- rent period (effective 1 January 2023)- The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:
    - right-of-use assets and lease liabilities, and
    - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.
- 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).
- 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.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income.

Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is computed, using the straight-line method, at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives as follows:

	Years
Plant, equipment and machinery	2 to 30
Buildings	25
Furniture and fixtures	3 to 5
Leasehold improvements	3 to 4
Computer equipment	3
Vehicles	3 to 5

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within profit and loss in the consolidated statement of comprehensive income.

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Group's policies.

2.4 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations cover a period to the end of useful life of the assets. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

2.5 Financial assets

(i) Classification

The Group classifies its financial assets as at amortised cost, fair value through profit and loss and fair value through other comprehensive income. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows except for financial assets which are considered as equity instrument.

Classification of financial assets at fair value through profit and loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The financial assets of the Group are as follows:

	Carrying amount	
	2022	**2021**
	AED '000	**AED'000**
Trade and other receivables excluding prepayments and advances	221,047	161,112
Financial assets at fair value through profit and loss (Note 13)	-	100,000
Term deposits (Note 14)	11,300	114,800
Cash and cash equivalents (Note 15)	1,473,908	1,245,588
Due from related parties (Note 12)	31,396	3,618
Financial assets at amortised cost (Note 8)	305,157	309,075
Financial assets at fair value through other comprehensive income (Note 9)	52,911	58,113

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset, including trade receivables, at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and at fair value through other comprehensive income (FVTOCI), which results in accounting loss being recognised in profit or loss when an asset is newly originated. When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the time of recognition of deferred day one profit or loss is determined individually. It is either amortised over life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(iii) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets, if any, is included in finance income using the effective profit rate method.
- *Fair value through other comprehensive income (FVTOCI)*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income, if any and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Profit income, if any, from these financial assets is included in finance income using the effective profit rate method.

- *Fair value through profit or loss (FVTPL)*: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the statement of comprehensive income and presented net in the statement of comprehensive income within other gains/(losses) in the year in which it arises. Profit income, if any, from these financial assets is recognised in profit and loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(losses) in the consolidated statement of comprehensive income, as applicable.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and is computed based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As trade receivables held by the Group have short credit period (i.e. tenor less than or equal to 12 months and does not comprise significant financing component), the Group applies simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised for receivables.

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

For financial assets at amortised cost, at the end of each year the Group applies a three stage impairment approach to measure the expected credit losses (ECL).

The ECL three stage impairment is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1 (i.e. recognition of 12-month expected credit losses).

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The profit income, if any, is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Significant increase in credit risk

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate.

In assessing whether the credit risk on its financial instrument has increased significantly since initial recognition, the Group compares the probability of a default occurring on the financial instrument as at the reporting date with the probability of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate. The Group's ECL model continues to be sensitive to macroeconomic variables and the Group continues to reassess its position.

Definition of default

The definition of default used by the Group to measure ECLs and transfer financial instruments between stages is consistent with the definition of default used for internal credit risk management purposes. The Group considers a financial asset to be credit-impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group considers the customer to be in default if the outstanding balance is 90 days past due.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

ECLs for all financial instruments are recognised in the consolidated statement of comprehensive income as a separate line item. In the case of debt instruments measured at amortised cost, they are presented net of the related allowance for expected credit loss on the consolidated statement of financial position.

(iv) Derecognition

Financial assets (or, where applicable, a part of a financial asset) are derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement, and either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

2.6 Intangible assets

Rights to charge users

Right to charge users acquired are recognized at fair value at acquisition date. They have a finite useful life of 30 years and are subsequently carried at cost less accumulated amortization and impairment losses.

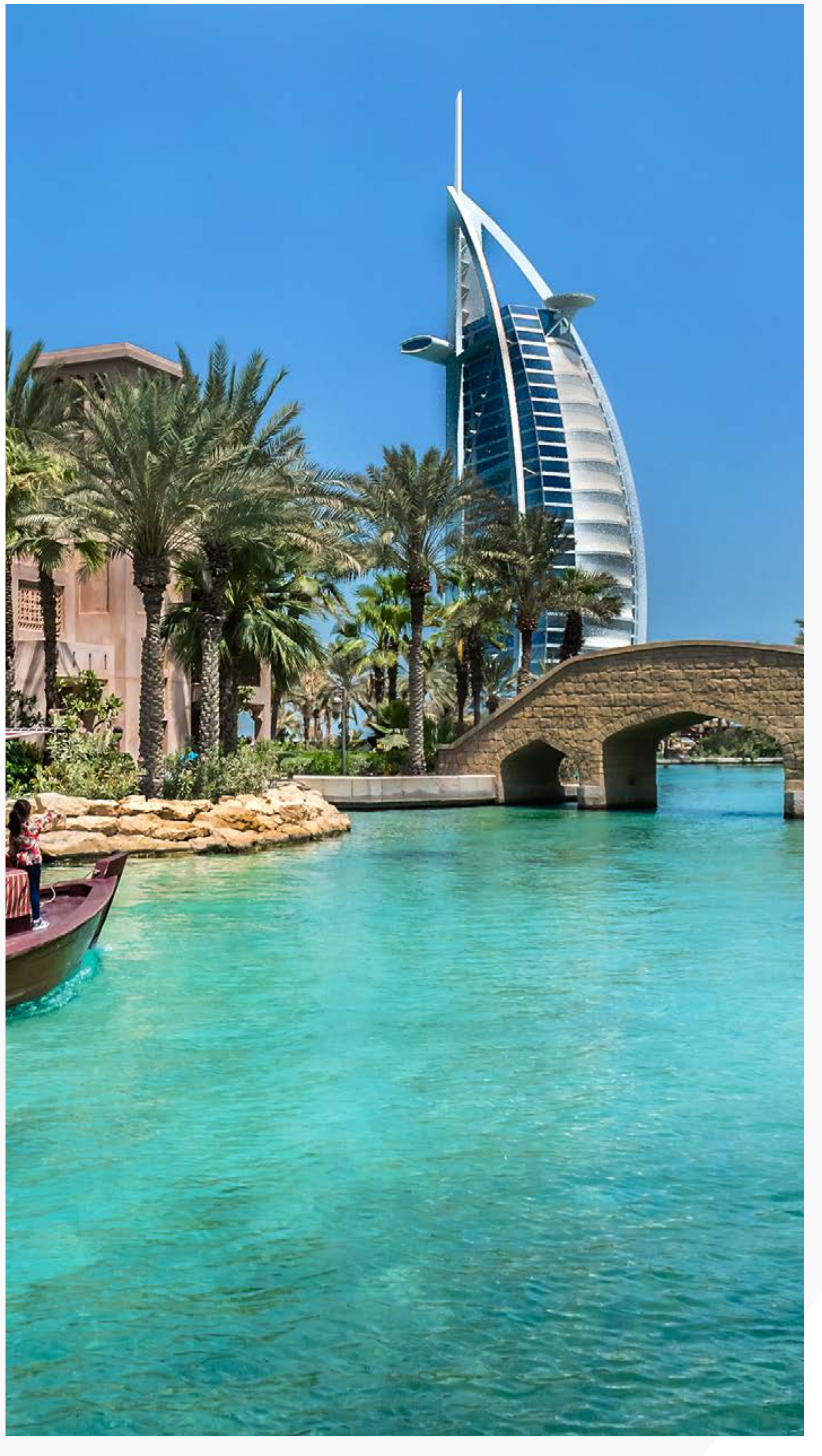
2.7 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. The cost of inventories is based on the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the provision for impairment.



2.9 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risks of changes in value.

2.10 Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed.

2.11 Government grants

The Government of Dubai granted certain plots of land to the Company for use in its principal activities as set out in Note 1. The land is recorded in the books, as and when the grant is made, at the fair market value on the date of grant, carried out by an independent firm of real estate consultants. These grants are credited to deferred government grants in the consolidated statement of financial position and are recognised as income over the useful life of the plant constructed on the land. Return of land to the Government of Dubai prior to commencement of construction of the plant is adjusted against deferred government grants in the consolidated statement of financial position.

As set out in Note 1, the Company became an entity controlled by DEWA effective from 23 November 2009. All land plots received by the Company from the Government of Dubai after 23 November 2009 are accounted for as contributed capital in the consolidated statement of changes in equity as DEWA is wholly owned by the Government of Dubai.

2.12 Employees end of service benefits

An accrual is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date. A provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the statement of financial position date. The accrual relating to annual leave and leave passage is disclosed as a current liability and included in trade and other payables, while the provision relating to end of service benefits is disclosed as a non-current liability.

The Group has also joined the pension scheme operated by the Federal Pension General and Society Security Authority. Accordingly, contributions for eligible UAE National employees are made and charged to the consolidated statement of comprehensive income, in accordance with the provisions of Federal Law No. 7 of 1999 relating to Pension and Society Security Law. The Group has no further payment obligation once the contribution has been made

2.13 Trade payables and provisions

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

Security deposits from customers are received as collateral against their dues for the charges levied for district cooling services provided. These are payable immediately on the termination of services or closure of the customer account on final settlement. Accordingly, it has been considered as current liability and part of the Trade and other payables.

2.14 Leases

The Group's leasing activities includes lease of equipment and building lease for period of 15 years and 1 year respectively. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discounted rate, which is determined to be 4.01% per annum.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or terminate option.

Lease liabilities are subsequently increased by the finance costs on the lease liabilities and decreased by lease payments made.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group acts as a lessor, it determines at the lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease. If not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Revenue'.

2.15 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and its subsidiaries, and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.16 Revenue recognition

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises the fair value of consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities and is shown net of discounts and allowances.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described overleaf:

(a) District cooling services

Demand and consumption charges revenue comprises of available capacity and variable output provided to customers and is recognized when services are provided.

Energy transfer station (ETS) service charges relates to services provided for ETS at customers' buildings and are recognized at the time services are rendered.

Connection charges revenue relates to connecting the individual customer units and is recognized over the period of providing district cooling services.

Other revenue comprises services that are recognized as and when services are rendered.

(b) Pre-insulated pipes

Revenue from the sale of pre-insulated pipes is recognised when goods are sold.

2.17 Interest income

Interest income on financial assets at amortised cost and financial assets at FVTOCI is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of loss allowance). Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

2.18 Share Capital

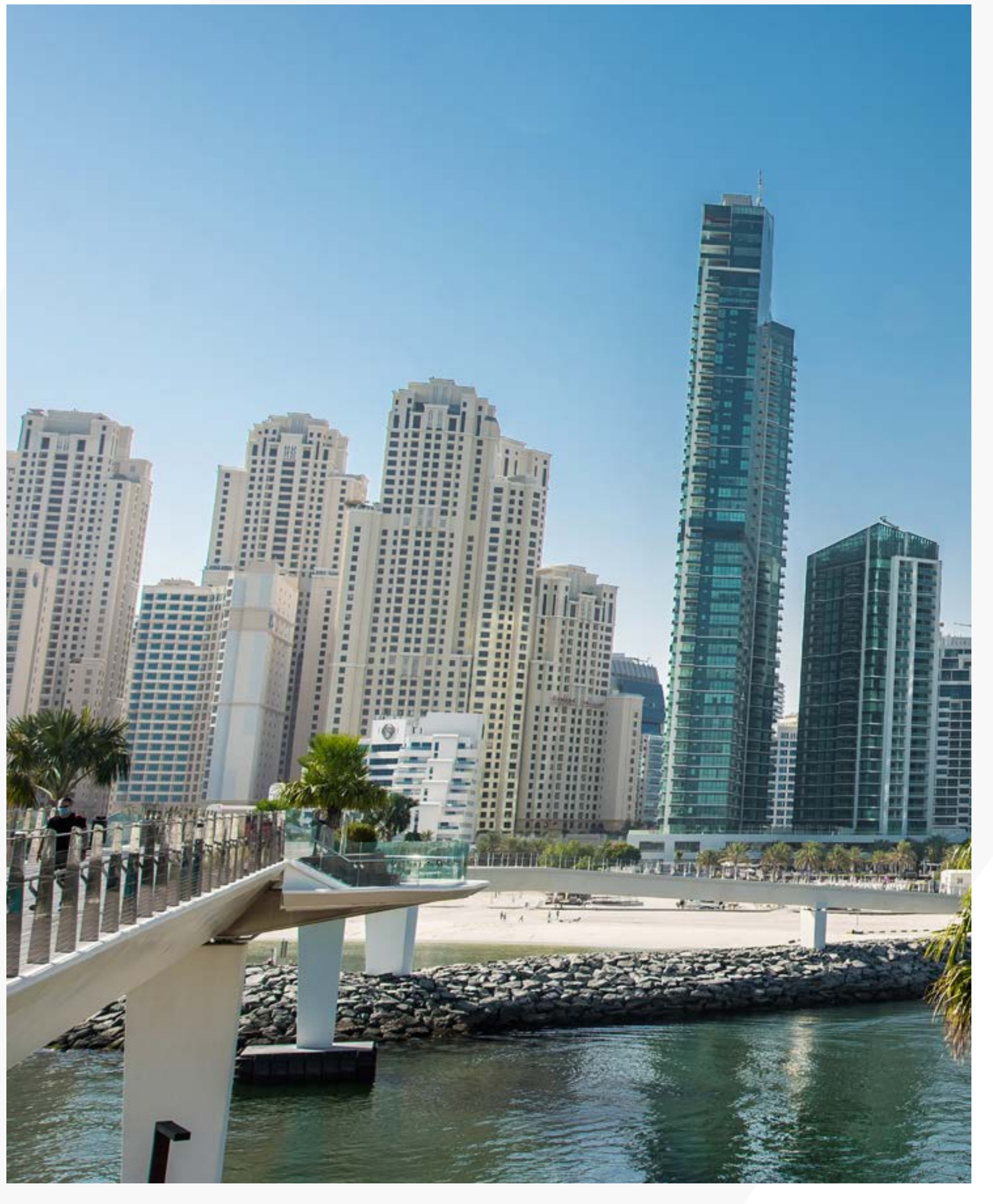
Ordinary shares are classified as equity.

2.19 Dividends

The Group recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised. As per the laws and regulation applicable in UAE, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.20 Earnings per share

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit/(loss) attributable to the ordinary shareholders of the Group by the weighted average numbers of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of equity shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any dilutive potential ordinary shares



2.21 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The Group has determined that the Board of Directors, are the chief operating decision-makers ("CODM") per the requirements of IFRS 8 *Operating Segments*.

2.22 Investment properties

Investment properties comprise building under construction held with the intention to earn rentals or for capital appreciation or both. Investment properties are stated at cost net of accumulated depreciation and/or accumulated impairment losses. Cost is defined either as cost of construction/acquisition or deemed cost, being the fair value determined by the experienced valuer at the date of recognition of the asset within investment properties, less accumulated depreciation and/or impairment losses.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is in accordance with the policy stated under property, plant and equipment at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

When the development of investment property commences, it is classified under capital work-in-progress until development is complete, at which time it is transferred to the respective category and depreciated using the straight-line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives.

Land is not depreciated. Expenditure towards preparation of land for development is added to land value.

Capital work-in-progress is stated at cost less any impairment in value. It includes construction, administrative, borrowing costs and other costs directly attributable to the development of the project.

At reporting date, the carrying value of capital work-in-progress is allocated to property, plant and equipment, investment properties, based on their determined use.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include bank borrowings, term deposits, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and lease liabilities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's exposure to market risk arises from:

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group does not have any significant foreign currency exposure, as majority of the transactions are denominated in AED or currencies pegged to AED.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market.

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). To manage its price risk arising from investments in equity securities, the group diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the group.

The Group's investment in FVTOCI is publicly traded in Dubai financial market (DFM). The Group has no significant exposure to price risk on FVTPL as it is based on fixed price index.

Sensitivity

The following table summarises the impact of increases/decreases of the DFM index on the group's post-tax profit for the period. The analysis is based on the assumption that the equity index had increased by 1% or decreased by 1%, with all other variables held constant, and that all of the group's equity instruments moved in line with the index.

	2022	2021
	AED'000	AED'000
Dubai financial market index -decrease 1%	(526)	(578)

Amounts recognised in profit or loss and other comprehensive income

The amounts recognised in profit or loss and other comprehensive income in relation to the investment held at fair value through other comprehensive income by the group is disclosed in note 9.

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (borrowings and lease liabilities). The Group's main interest rate risk arises from borrowings with variable rates as all borrowings of the Group are variable which expose the Group to cash flow interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its consolidated statement of financial position and cash flows. Interest margins may increase as a result of such changes,but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Group does not hedge its exposure to interest rate risk.

At 31 December 2022, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 26,866 thousand (2021: AED 4,666 thousand) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

The exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the interest rate borrowings at the end of the reporting period are as follows:

	2022	2021
	AED'000	AED'000
3 months or less	4,489,586	1,987,885

Further, at 31 December 2022, if interest rates on lease liability had been 1% higher/lower with all other variables held constant, post-tax profit for the year ended 31 December 2022 would have been lower by AED 54 thousands (2021: AED 144 thousands) mainly as a result of higher interest expense and would have been higher by AED 60 thousands (2021: AED 156 thousands) mainly as a result of lower interest expense.

(b) Credit risk

The Group has seven types of financials assets which are exposed to credit risk:

- cash at bank and short term bank deposits
- trade receivables
- due from related parties
- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)
- all other financial assets

Deposits for district cooling services are obtained from customers before the provision of any services, which are held as security in order to mitigate credit risk in case of default by customers.

Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a good rating are accepted.

For trade receivables and due from related parties, if customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by the legal department.

The group's investments in equity instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Financial assets at amortised cost

The Group recognized a financial asset in the previous year through the acquisition of Empower Snow LLC from Nakheel, a related party. The financial asset derives from the minimum demand load commitment by Nakheel in the signed Master Concession Agreement. The following table discloses the changes in the credit loss allowance and gross carrying amount for the financial asset between the beginning and the end of the reporting period:

Financial assets at amortised cost

Item	Amount in AED'000					
	Credit loss allowance			Gross carrying value		
	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)	Stage 1 (12 months ECL)	Stage 2 (Lifetime ECL for SICR)	Stage 3 (Lifetime ECL for credit impaired)
Financial asset at amortised cost						
At 1 January 2021	-	-	-	-	-	-
Movements with impact on credit loss allowance charge for the year						
New originated or purchased	-	-	-	309,204	-	-
Total impact with impact on credit loss charge during the year	-	-	-	309,204	-	-
Repayment during the year	-	-	-	(739)	-	-
Unwinding of interest income during the year	-	-	-	610	-	-
As 31 December 2021	**-**	**-**	**-**	**309,075**	**-**	**-**
Financial asset at amortised cost						
At 1 January 2022	-	-	-	309,075	-	-
Movements with impact on credit loss allowance charge for the year						
New originated or purchased	-	-	-	-	-	-
Total impact with impact on credit loss charge during the year	-	-	-	-	-	-
Repayment during the year	-	-	-	(22,463)	-	-
Unwinding of interest income during the year	-	-	-	18,545	-	-
As 31 December 2022	**-**	**-**	**-**	**305,157**	**-**	**-**

Credit risk grading

For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an Internal Risk-Based rating system. Internal credit ratings are mapped on an internally defined master scale with a specified range of historical loss rate as disclosed in the table below:

Grade	Risk rating	Definition
Grade 1	1-12	Low risk
Grade 2	13-17	Satisfactory risk
Grade 3	18-20	High risk
Grade 4	21-25	Watch list
Grade 5	50,60,70,80	Impaired

The Group considers the credit quality of the balance to be low risk due to Nakheel being a Government entity. While the balance is subject to impairment requirement the identified impairment loss was immaterial.

Trade receivables

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

To measure the expected credit losses, trade receivables and unearned revenues have been grouped based on shared risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit loss on trade receivables is disclosed in Note 11.

Cash at bank and short-term bank deposits

	Source	2022	2021
		AED'000	AED'000
A	Moody's	25	25
A+	Fitch	13	13
B3	Moody's	-	50,665
Ba1	Moody's	78	607,676
Ba2	Moody's	1,255,251	550,288
Baa1	Moody's	4,626	16,867
Baa2	Moody's	4,902	5,912
Baa3	Moody's	201,153	6,606
BBB+	Fitch	7,818	7,536
Caa1	Moody's	42	
		1,473,908	**1,245,588**

The Group seeks to limit its credit risk to banks by only dealing with reputable banks, and independently rated parties with a minimum of investment grade ratings are accepted. No impairment provision was required on cash and cash equivalents as credit risk was considered minimal.

Financial assets at fair value through profit and loss and fair value through other comprehensive income

Financial assets at FVTPL cost and FVTOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider low credit risk for the following investments as they are held with reputable institutions.

All other financial assets

For all other financial assets, the Group recognises expected credit loss when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of an evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default. No impairment provision was required on other financial assets as credit risk was considered minimal.

Due from related parties

While due from related parties are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Cash flow forecasting is performed by the management which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below summarises the Group's financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts, as the ultimate amounts to be realised is not significantly different from the carrying amounts.

	Carrying amount	Total contractual cash flows	Less than 1 year	Between 1 to 5 years	More than 5 years
	AED'000	AED'000	AED'000	AED'000	AED'000
At 31 December 2022					
Bank borrowings (including interest)	4,489,586	5,348,545	238,949	5,109,596	-
Trade and other payables (excluding deferred revenues and including non-current retention payable)	1,207,284	1,207,284	1,207,284	-	-
Lease liabilities (including interest)	3,071	3,256	2,422	485	349
Due to related parties (Note 12)	257,267	257,267	257,267	-	-
	5,957,208	**6,816,352**	**1,705,922**	**5,110,081**	**349**
At 31 December 2021					
Bank borrowings (including interest)	1,987,885	2,047,967	1,022,808	1,025,159	-
Trade and other payables (excluding deferred revenues and including non-current retention payable)	1,149,453	1,149,453	1,149,453	-	-
Lease liabilities (including interest)	14,952	17,824	3,562	6,901	7,361
Due to related parties (Note 12)	166,287	166,287	166,287	-	-
	3,318,577	**3,381,531**	**2,342,110**	**1,032,060**	**7,361**

During the year ended 31 December 2022, the Group obtained a new bank loan which is disclosed in Note 19. There has been no other material change in the contractual undiscounted cash outflows for financial liabilities during this year. Net cash generated from operating activities have increased by AED 59 million from AED 1,366 million for 2021 to AED 1,425 million for the year 2022.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as at 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
	AED'000	AED'000
Total borrowings (Note 19)	4,489,586	1,987,885
Less: cash and cash equivalents (Note 15)	(1,473,908)	(1,245,588)
Net debt	3,015,678	742,297
Total equity	3,034,742	5,430,892
Total capital	6,050,420	6,173,189
Gearing ratio	49.84%	12.02%

The Group manages the risk by closely monitoring the gearing ratio and by restricting the dividend payout if required.

3.3 Fair value estimation

As at 31 December 2022 and 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to the statement of comprehensive income.

The impairment provisions are determined as the difference between the carrying value of these assets (before impairment charge) and the recoverable amount. The recoverable amount is determined as the higher of "value-in-use" calculations, using pre-tax cash flow projections as approved by the management or fair value less cost to sell.

No impairment charges has been recognised against non-financial assets during the year ended 31 December 2022 (2021: Nil), following management's impairment review.

(b) Useful lives of property, plant and equipment

The Group determines the estimated useful lives of its property, plant and equipment for calculating depreciation / amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Group believes the useful lives differ from previous estimates.

5. Property, plant and equipment

	Land	Plant, equipment and machinery	Buildings	Furniture and fixtures	Leasehold improvements	Computer equipment	Vehicles	Capital work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED '000	AED'000	AED'000	AED'000
Cost									
At 1 January 2021	**494,282**	**7,633,115**	**70,709**	**15,803**	**10,936**	**39,638**	**6,337**	**658,167**	**8,928,987**
Additions	-	-	-	975	554	1,265	730	588,849	592,373
Transfers	-	404,947	-	-	-	-	-	(404,947)	-
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	**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 (Note 37)	(2,536)	-	-	-	-	-	-	(70,323)	(72,859)
Disposals*	(59,382)	(17,590)	-	(4)	-	(9)	(439)	-	(77,424)
At 31 December 2022	**432,364**	**8,780,427**	**70,709**	**18,350**	**11,890**	**42,421**	**8,566**	**393,368**	**9,758,095**

Capital work-in-progress balances include costs incurred in the construction of district cooling plants and networks pertaining to various projects. During the year 2022, a transfer was made from capital work-in-progress to plant, equipment and machinery due to completion of four district cooling projects.

*During the year, 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 273,682 thousand are developed on some of these plots of land. Management has 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. 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.

	Land	Plant, equipment and machinery	Buildings	Furniture and fixtures	Leasehold improvements	Computer equipment	Vehicles	Capital work-in-progress	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED '000**	**AED'000**	**AED'000**	**AED'000**
Accumulated depreciation and impairment									
At 1 January 2021	-	2,064,333	26,221	14,799	10,656	32,297	5,277	62,149	2,215,732
Charge for the year	-	299,021	2,791	928	165	1,535	525	-	304,965
Impairment reversal **	-	-	-	-	-	-	-	(32,328)	(32,328)
Disposals	-	(5,095)	-	(2)	-	(1)	(153)	-	(5,251)
At 31 December 2021	-	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	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156
Net book amount									
31 December 2022	**432,364**	**6,134,868**	**38,949**	**1,512**	**1,011**	**6,234**	**2,727**	**376,274**	**6,993,939**
31 December 2021	**494,282**	**5,674,708**	**41,697**	**1,051**	**669**	**7,071**	**1,265**	**812,248**	**7,032,991**

** In previous years, management had recognised an impairment loss relating to costs incurred on shoring and enabling works for certain projects which were not developed as anticipated. As a result, an impairment loss of AED 55 million was recorded. In the current year, construction of these projects was resumed and hence management assessed the recoverable amount using value-in-use calculations which involved cash flow projections based on management budgets, discounted at a rate of 4%. Management also analyzed the work which can be utilized and will not have to be undertaken again. As a result, the Group reversed the impairment amounting to AED 12,727 thousand (2021: AED 32,328 thousand) in relation to these projects.

Depreciation expense of AED 304,890 thousand (2021: AED 299,021 thousand) has been charged to 'cost of sales' (Note 25) and AED 6,917 thousand (2021: AED 5,944 thousand) to 'general and administrative expenses' (Note 26).

6. Right-of-use assets and lease liabilities

The Group primarily enters into equipment leases in relation to semi-permanent plants leased from DEWA for a term of 15 years, with an extension option, and a head office lease for a term of 1 year (due to the construction of a new head office, which is expected be completed after 1 year).

	Equipment	Buildings	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2021	27,242	4,924	32,166
Additions	-	1,070	1,070
At 31 December 2021	27,242	5,994	33,236
Additions	-	3,957	3,957
Modification of right-of-use assets*	(25,512)	-	(25,512)
At 31 December 2022	1,730	9,951	11,681
Accumulated depreciation			
At 1 January 2021	9,561	4,076	13,637
Charge for the year	4,625	1,562	6,187
At 31 December 2021	14,186	5,638	19,824
Charge for the year	692	2,176	2,868
Modification of right-of-use assets*	(13,954)	-	(13,954)
At 31 December 2022	924	7,814	8,738
Net book amount			
31 December 2022	**806**	**2,137**	**2,943**
31 December 2021	**13,056**	**356**	**13,412**

The Group recognised lease liabilities as follows:

	2022	2021
	AED'000	AED'000
At 1 January	**14,952**	**20,744**
Additions during the year	3,957	1,070
Interest on lease liabilities	295	712
Remeasurement of lease liabilities*	(13,019)	-
Paid during the year	(3,114)	(7,574)
At 31 December	**3,071**	**14,952**
Less: current portion	(2,342)	(3,013)
Non-current portion	729	11,939

* During the year, the Group terminated certain lease agreements with DEWA. As a result, the Group accounted for the modification of the lease and the corresponding right-of-use asset and lease liability were remeasured. The gain arising from the modification of lease amounting to AED 1,461 thousand was recognized in the consolidated statement of comprehensive income.

Interest expense included in finance costs amounted to AED 295 thousand (2021: AED 712 thousand) (Note 30). There were no expenses relating to variable lease payments. The total cash outflows for leases, including finance costs, during the year amounted to AED 3,114 thousand (2021: AED 7,574 thousand).

The expenses related to short-term leases and to leases of low-value assets that are included in general and administrative expenses are as follows:

	2022	2021
	AED'000	AED'000
Expense relating to short-term leases (Note 26)	**488**	**498**

7. Intangible assets

	2022	2021
	AED'000	AED'000
At 1 January	364,296	-
Additions during the year (Note 32)	-	364,696
Amortised during the year (Note 25)	(12,157)	(400)
At 31 December	352,139	364,296

Intangible assets of the Group represent rights to charge users that have been acquired and recognized at fair value as of the acquisition date. These assets have a useful life of 30 years.

8. Financial assets at amortised cost

	2022	2021
	AED'000	AED'000
At 1 January	309,075	-
Additions during the year (Note 32)	-	309,204
Interest earned during the year	18,545	610
Settlement during the year	(22,463)	(739)
At 31 December	305,157	309,075
Less: current portion	(4,154)	(3,911)
Non-current portion	301,003	305,164

The financial assets at amortised cost comprise a receivable from Nakheel PJSC (Note 32) in connection with the acquisition of Empower Snow LLC (formerly Snow LLC) during the year 2021.

9. Financial assets at fair value through other comprehensive income (FVTOCI)

	2022	2021
	AED'000	AED'000
At 1 January	58,113	57,653
(Loss)/gain recognised during the year	(5,202)	460
At 31 December	52,911	58,113

During the year, the following amounts were recognised in profit or loss and other comprehensive income:

	2022	2021
	AED'000	AED'000
(Loss)/gain recognised in other comprehensive income	(5,202)	460
Interest income from equity investments held at FVTOCI recognised in profit or loss (Note 30)	3,305	2,644

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.

In accordance with IFRS 9, the Group has elected to classify these Bonds as financial assets at fair value through other comprehensive income, as they are not held for trading purposes. As a result, changes in the fair value of these Bonds will be recorded in other comprehensive income.

10. Inventories

	2022	2021
	AED'000	AED'000
Spares and consumables for district cooling services	32,796	19,248
Pre-insulated pipes	13,716	7,770
Provision for impairment of slow moving and obsolete inventories	(361)	-
	46,151	27,018

The cost of inventories recognised as expense and included in 'cost of sales' is AED 18,959 thousand (2021: AED 4,421 thousand) (Note 25).

11. Trade and other receivables

	2022	2021
	AED'000	AED'000
Trade receivables	250,009	180,659
Accrued revenues	36,100	27,069
	286,109	207,728
Less: Provision for expected credit losses	(74,697)	(56,832)
	211,412	150,896
Other financial assets at amortised cost		
Other receivables	9,635	10,216
Other assets		
Advance to contractors / suppliers	77,487	99,285
Prepayments	13,431	14,101
	90,918	113,386
	311,965	274,498

Other receivables includes a deposit of AED 4,490 thousand (2021: AED 4,490 thousand) receivable from DEWA (Note 12).

As at 31 December 2022, the Group faced a concentration of credit risk with three customers (2021: three customers) who accounted for 26.4% (2021: 29.22%) of the trade receivables at that date. Management has recorded a provision of AED 38,759 thousand (2021: AED 25,535 thousand) against these customers.

Management is of the opinion that this concentration of credit risk from customers will not result in a further loss.

As at 31 December 2022, the movement in the allowance for impairment of receivables is as follows:

	2022	2021
	AED'000	AED'000
At 1 January	56,832	48,264
Charge for the year	17,865	8,568
Balance at the end of the year	74,697	56,832

The table overleaf provides a detailed analysis of the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base for the majority of customers.

As at 31 December, the aging analysis of trade receivables is as follows:

	Total	Not yet due	0 to 30 days	31 to 90 days	91 to 120 days	121 to 180 days	181 to 365 days	> 365 days
2022								
Trade receivables and accrued revenue (AED '000)	286,109	36,100	73,723	48,081	20,078	12,264	20,533	75,330
Provision %	-	0%	1.8%	6.6%	16.0%	36.8%	64.1%	65.5%
Provision (AED'000)	74,697	-	1,310	3,176	3,222	4,510	13,166	49,313
Net trade receivables and accrued revenue (AED'000)	**211,412**	**36,100**	**72,413**	**44,905**	**16,856**	**7,754**	**7,367**	**26,017**
2021								
Trade receivables and accrued revenue (AED '000)	207,728	27,069	48,721	43,248	13,259	4,900	16,495	54,036
Provision %	-	0%	3.2%	12.2%	31.6%	53.5%	57.7%	62.3%
Provision (AED'000)	56,832	-	1,553	5,263	4,184	2,623	9,518	33,691
Net trade receivables and accrued revenue (AED'000)	**150,896**	**27,069**	**47,168**	**37,985**	**9,075**	**2,277**	**6,977**	**20,345**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group holds security deposits of AED 422,502 (2021: AED 381,590 thousand) (Note 22) as collateral against receivables. Other classes of trade and other receivables do not contain impaired assets.

12. 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 in accordance with paragraph 25 of IAS 24 Related Party Disclosure and consider the entities (other than disclosed below) controlled by Government of Dubai as non-related.

	2022	2021
Transactions with related parties	**AED'000**	**AED'000**
Services rendered to entities under common control of shareholder		
Dubai Properties Group LLC	156,130	160,070
Meraas Holding LLC	41,598	32,285
Jumeirah Group LLC	49,083	46,833
Tecom Investments FZ LLC	66,206	53,697
Global Village Dubai LLC	684	707
	313,701	**293,592**
Dividend to shareholders		
Tecom Investments FZ LLC*	150,000	120,000
Emirates Power Investment LLC*	870,000	-
Dubai Electricity and Water Authority (DEWA)	2,380,000	280,000
Logstor Nederland	-	300
	3,400,000	**400,300**
Services received from shareholder		
Dubai Electricity and Water Authority (DEWA)	(1,125,582)	(974,879)
Services received from entities under common control of Ultimate parent		
Finance cost from Emirates NBD	65,661	6,903
Key management remuneration		
Board of directors' remuneration (Note 26)	6,521	6,250
Compensation of key management personnel		
Short term benefits	13,045	12,719
End of service benefits	520	473
	13,565	**13,192**

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

Balances with related parties

	2022	2021
	AED'000	AED'000
Due from related parties		
Shareholders		
Emirates Power Investment LLC*	6,878	-
Dubai Electricity and Water Authority (DEWA)*	16,048	-
	22,926	-
Entities under common control of shareholder		
Jumeirah Group LLC	2,373	2,085
Tecom Investments FZ LLC	4,166	-
Meraas Holding LLC	1,858	1,494
Others	73	39
	8,470	3,618
	31,396	**3,618**

Due to related parties

	2022	2021
	AED'000	AED'000
Shareholders		
Dubai Electricity and Water Authority (DEWA)	237,543	153,599
Tecom Investments FZ LLC	-	668
	237,543	154,267
Entities under common control of shareholder		
Dubai Properties Group LLC	13,016	1,605
Dubai Holding LLC	3,708	3,708
	16,724	5,313
Others		
Board of directors	2,564	5,050
Others	436	1,657
	257,267	**166,287**

* Due from shareholders represents a receivable for expenses incurred by the Group during the year in relation to the Initial Public Offering (IPO).

Outstanding bank borrowings as at 31 December 2022 include a balance of AED 4,266,455 thousand (2021: AED 1,002,862 thousand) obtained from Emirates NBD, an entity under common control (Note 19).

Other receivables include a balance of AED 4,490 thousand (2021: AED 4,490 thousand) deposit receivable from DEWA (Note 11).

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

As of 31 December 2022, cash and cash equivalents include a balance of AED 1,451,674 thousand (2021: AED 1,155,126 thousand) and term deposits of Nil (2021: AED 100,000 thousand) held with banks which are under common control of shareholders.

13. Financial assets at Fair value through profit or loss (FVTPL)

	2022	2021
	AED'000	AED'000
Investment in National Bonds	**-**	**100,000**

During the year, the Group redeemed its investment in National Bonds made in 2021 which matured in 2022.

14. Term deposits

	2022	2021
	AED'000	AED'000
Short-term bank deposits – more than 3 months	**11,300**	**114,800**

The term deposits held by the Group have original maturities of more than 3 months. These deposits are measured based on the principal amount and interest is accrued based on the agreed rate of interest which ranges between 0.95% to 5.75%.

15. Cash and cash equivalents

	2022	2021
	AED'000	AED'000
Cash at bank	216,208	244,875
Short-term bank deposits – less than 3 months	1,257,700	1,000,713
	1,473,908	**1,245,588**

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest which ranges between 0.45% to 4.85%.

16. Share capital

	2022	2021
	AED'000	AED'000
Authorised, issued and fully paid up share capital		
Ordinary shares of 10,000,000,000 AED 0.10 each	1,000,000	1,000,000

The authorised and paid up capital of the Company as at 31 December 2022 amounted to AED 1,000,000,000 (2021: AED 1,000,000,000), of which AED 560,000,000 (2021: AED 700,000,000) was contributed by DEWA, AED 240,000,000 (2021: AED 300,000,000) was contributed by Emirates Power Investment LLC and AED 200,000,000 by public shareholders.

In accordance with Decree No. (22) of 2022 issued by the Ruler of Dubai on 14 October 2022, the share capital of the Company was structured as part of the Initial Public Offering (IPO) process as follows:

Number of shares	10,000,000 thousand
Par value per share	AED 0.10
Capital	AED 1,000,000 thousand

17. Statutory reserve

In accordance with the Articles of Association of the Company and its subsidiaries of the Group, 10% of the profit for the year is required to be transferred to the statutory reserve for each entity. Such transfers are required to be made until the reserve equals 50% of the share capital in each of the subsidiaries. This reserve is not available for distruibution, except in circumtances stipulated in the commercial laws applicable to each entity.

18. Contributed capital

In previous years, the Group received certain plots of land from the Government of Dubai, which were valued by an independent firm. As disclosed in Note 2.11, the value of such land, equivalent to AED 64,690 thousand, was treated as a capital contribution form the shareholders. This is because the Company is controlled by DEWA, which is in turn controlled by the Government of Dubai.

During the year 2020, the Group received 2 plots of land from Meydan City Corporation, with a value of AED 17,500 thousand. This brought the total contributed capital to AED 82,190 thousand.

19. Bank borrowings

	2022	2021
	AED'000	AED'000
Term loan	4,500,000	1,994,747
Unamortised loan cost	(10,414)	(6,862)
Total	**4,489,586**	**1,987,885**
Less: current portion	-	(1,000,219)
Non-current portion	**4,489,586**	**987,666**

On 26 September 2022, the Company entered into term facility agreements with Emirates NBD PJSC, an entity under common control for AED 5,500,000 thousand as a facility agent. These facilities are guaranteed by the Company and Palm District Cooling LLC. Below are the terms of each facility agreement:

Facility	Term	Interest rate	Amount (AED'000)
A1- conventional	3 Years	EIBOR + Margin	1,375,000
A2 - conventional	5 Years	EIBOR + Margin	1,375,000
B1 - Islamic	3 Years	EIBOR + Margin	1,375,000
B2- Islamic	5 Years	EIBOR + Margin	1,375,000
Total			**5,500,000**

The exposure of the Group's borrowings to interest rate changes and contractual repricing ranges between one to twelve months.

The maturity profile of the borrowings is as follows:

	2022	2021
	AED'000	AED'000
Within one year	-	1,000,219
After one year but not more than three years	2,741,992	485,615
More than 3 years	1,747,594	502,051
	4,489,586	**1,987,885**

The movement in bank borrowings during the year:

	2022	2021
	AED'000	AED'000
As at 1 January	1,987,885	1,329,582
Drawdown during the year*	5,418,237	918,212
Interest expense during the year	86,390	20,063
Interest paid during the year	(86,390)	(20,063)
Principal repayment during the year	(2,912,984)	(253,047)
Arrangement fee charged to profit and loss (previous borrowings)	6,862	-
Unamortised arrangement fee	(10,414)	(6,862)
As at 31 December	**4,489,586**	**1,987,885**

* On 29 March 2022, the Group entered into a bridge loan facility with Dubai Islamic Bank PJSC, a related party, to finance the acquisition of Dubai Airports district cooling assets amounting to US$ 250,000 thousand (AED 918,125 thousand) with a tenor of 1 year from utilisation date with a profit rate of Libor + margin and with a fee of 1% of the loan amount. The amount was fully drawn down on 31 March 2022. The Group utilised AED 4,500,000 thousand from the new long term loan facility and repaid its existing borrowings amounting to AED 2,912,984 thousand. The unamortised loan amount on the existing borrowings amounting to AED 6,862 thousand was fully charged to profit and loss. The new long term loan includes AED 11,108 thousand arrangement fee out of which AED 694 thousand was charged to profit and loss during the year ended 31 December 2022.

The Group had an outstanding balance in letters of credits amounting to AED 4,362,430 (2021: AED 376,697) which were fully payable to Emirates NBD, a related party for the Group (Note 33).

The undrawn term loan and facilities is AED 1,000,000 thousand as at 31 December 2022 (2021: Nil) at a floating rate linked to EIBOR plus margin.

The Group has the financial bank covenants to maintain net debt to tangible net worth and net debt to EBITDA. The Group has complied with its financial covenants as at reporting period end.

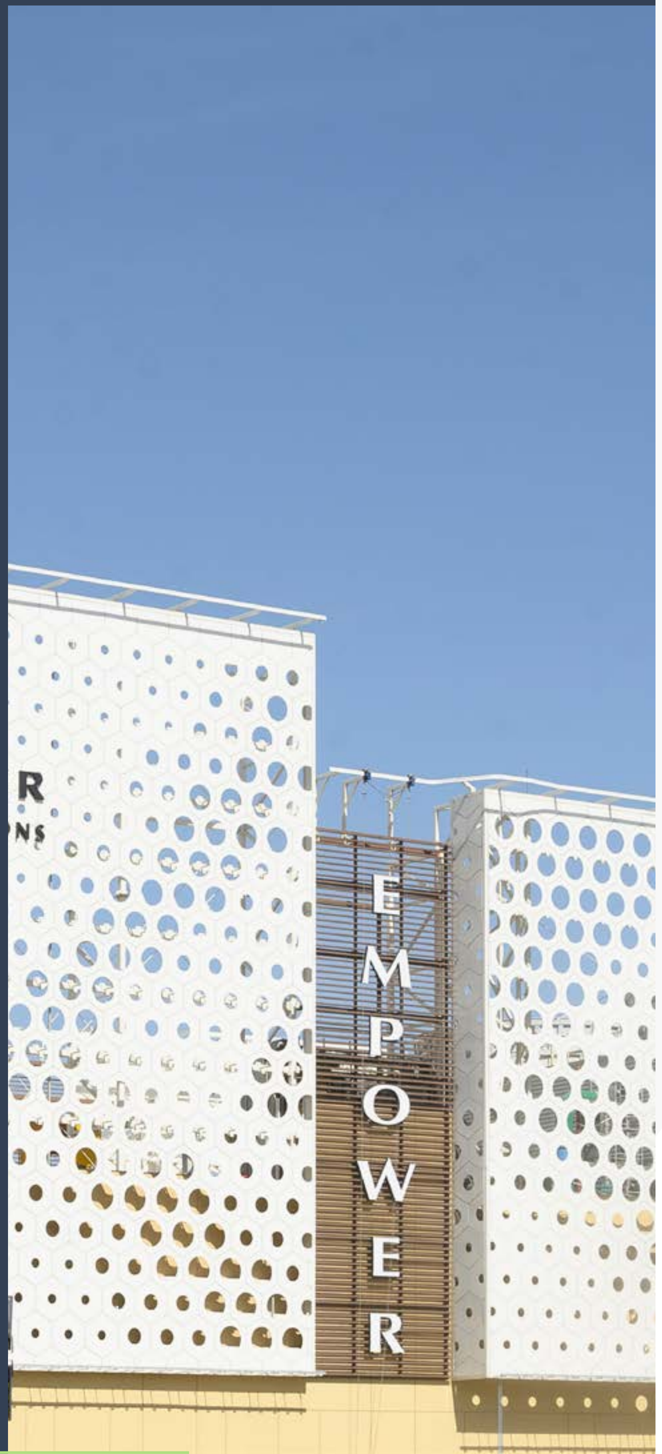
The exposure of the Group's borrowings to interest rate changes and the contractual repricing ranges between one to twelve months. The fair value of current borrowings equals their carrying amount, as the loans are priced based on EIBOR plus a margin.

20. Government grants

Government grants received prior to 23 November 2009 are recognised as income over the useful life of the plant constructed on the granted land. The current portion represents the expected release of the government grant for the plants currently in operation and those which are expected to be completed during next year. The actual amount of release may vary due to delay in completion/commencement of the operations of these plants.

	2022	2021
	AED'000	AED'000
At 1 January	373,670	376,450
Disposals *	(59,382)	-
Released during the year (Note 29)	(2,780)	(2,780)
At 31 December	311,508	373,670
Less: current portion	(3,170)	(2,780)
Non-current portion	308,338	370,890

*During the year, the Group returned eleven plots of land to related parties amounting to AED 59,382 thousand which were granted to the Group in prior years for the purpose of constructing district cooling plants. Accordingly, the Group reversed the carrying amount from property, plant and equipment and the corresponding deferred government grant.



21. Provision for employees' end of service benefits

	2022	2021
	AED'000	AED'000
At 1 January	49,703	45,450
Charge for the year (Note 27)	15,968	5,523
Actuarial gain recognised in consolidated statement of comprehensive income	(8,297)	-
Payments made during the year	(1,339)	(1,270)
At 31 December	**56,035**	**49,703**

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2022 and 2021, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of the employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Future salary increases have been estimated on a basis consistent with the natural progression of an employee's salary in-line with the Group's salary scales, past experience and market conditions.

The principal assumptions used were as follows:

	2022	2021
Discount rate per year	4.1%	1.21%
Salary increase per year	5%	5%

22. Trade and other payables

	2022	2021
	AED'000	AED'000
Refundable customers' security deposits (Note 11)	422,502	381,590
Deferred revenue	290,225	335,556
Project cost accruals	287,932	339,088
Project payables	95,951	110,536
Retentions payable	100,908	99,554
Other liabilities*	305,248	254,003
Total	**1,502,766**	**1,520,327**
Less : Non-current portion	(5,257)	
Retentions payable		(35,318)
Current portion	**1,497,509**	**1,485,009**

*Other liabilities include accrued expenses for water, electricity, staff liabilities etc.

Movement in deferred revenue is as follows:

	2022	2021
	AED'000	AED'000
At 1 January	335,556	296,031
Billed during the year	1,117,939	1,026,306
Less: Income recognised during the year	(1,163,270)	(986,781)
At 31 December	**290,225**	**335,556**

Terms and conditions of the financial liabilities:

Trade payables and other financial liabilities are non-interest bearing and are normally settled on 60-90 day terms. Retentions payable are non-interest bearing and are normally settled in accordance with the terms of the contacts.

Revenue recognized in relation to deferred revenue

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2022	2021
	AED'000	AED'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	125,406	62,701
Revenue recognised from performance obligations satisfied in previous periods	-	-

Revenue is recognised at the point in time at which the performance obligation is satisfied.

23. Revenue

	2022	2021
	AED'000	AED'000
District cooling services	2,766,231	2,456,586
Sale of pre-insulated pipes	26,308	7,288
	2,792,539	**2,463,874**

24. 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 are 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 organized 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.

	2022				2021			
	Chilled water	Pre-insulated pipe	Intersegment eliminations	Total	Chilled water	Pre-insulated pipe	Intersegment eliminations	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenues								
External revenue*	2,766,231	26,308	-	2,792,539	2,456,586	7,288	-	2,463,874
Inter-segment revenue	-	19,908	(19,908)	-	-	26,003	(26,003)	-
Total revenues	2,766,231	46,216	(19,908)	2,792,539	2,456,586	33,291	(26,003)	2,463,874
Interest earned on financial asset	18,545	-	-	18,545	-	-	-	-
Cost of sales	(1,528,455)	(34,567)	11,174	(1,551,848)	(1,386,517)	(25,113)	17,181	(1,394,449)
Impairment reversal of project cost	12,727	-	-	12,727	32,328	-	-	32,328
Gross profit	1,269,048	11,649	(8,734)	1,271,963	1,102,397	8,178	(8,822)	1,101,753
General and administrative expenses	(202,557)	(7,420)	-	(209,977)	(169,813)	(6,068)	-	(175,881)
Provision for expected credit losses	(17,865)	-	-	(17,865)	(8,804)	236	-	(8,568)
Other income	6,582	1,183	-	7,765	25,177	695	(9,700)	16,172
Operating profit	1,055,208	5,412	(8,734)	1,051,886	948,957	3,041	(18,522)	933,476
Finance income	34,716	838	-	35,554	10,614	1,019	-	11,633
Finance costs	(86,685)	-	-	(86,685)	(9,127)	-	-	(9,127)
Net profit for the year	**1,003,239**	**6,250**	**(8,734)**	**1,000,755**	**950,444**	**4,060**	**(18,522)**	**935,982**

Inter-segment transactions are eliminated on consolidation.

*** External revenue inlcude connection charges related to the connection of individual customer units and is recognized over the provision period of district cooling services.**

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

	2022			2021		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Depreciation on property, plant & equipment (Note 5)	310,468	1,339	311,807	300,866	4,099	304,965
Depreciation on right-of-use asset (Note 6)	2,868	-	2,868	6,187	-	6,187
Amortisation on Intangible asset (Note 7)	12,157	-	12,157	400	-	400
Total depreciation and amortisation	**325,493**	**1,339**	**326,832**	**307,453**	**4,099**	**311,552**

Segment assets and liabilities are as follows:

	2022			2021		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Segment assets	9,549,760	88,860	9,638,620	9,463,091	80,318	9,543,409
Investment in joint venture	307	-	307	307	-	307
Total assets	9,550,067	88,860	9,638,927	9,463,398	80,318	9,543,716
Total liabilities	**6,590,145**	**14,040**	**6,604,185**	**4,101,075**	**11,749**	**4,112,824**

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

	2022			2021		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Property, plant and equipment	**392,227**	**42**	**392,269**	**592,358**	**15**	**592,373**

Geographic information

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

	Revenue		Non-current assets	
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
United Arab Emirates	2,792,539	2,463,874	7,776,101	7,774,283

25. Cost of sales

	2022	2021
	AED'000	AED'000
Utilities cost	1,134,086	983,520
Depreciation on property, plant and equipment (Note 5)	304,890	299,021
Staff costs (Note 27)	38,599	37,970
Repairs and maintenance	29,667	22,290
Materials (Note 10)	18,959	4,421
Amortisation of intangible assets (Note 7)	12,157	400
Depreciation on right-of-use assets (Note 6)	692	4,625
Others	12,798	42,202
	1,551,848	**1,394,449**

26. General and administrative expenses

	2022	2021
	AED'000	AED'000
Staff costs (Note 27)	158,032	134,377
Depreciation on property, plant and equipment (Note 5)	6,917	5,944
Directors' remuneration (Note 12)	6,521	6,250
Communication expenses	4,872	4,254
Advertising and marketing expenses	2,780	4,054
Depreciation on right-of-use assets (Note 6)	2,176	1,562
Rent (Note 6)	488	498
Others	28,191	18,942
	209,977	**175,881**

27. Staff costs

	2022	2021
	AED'000	AED'000
Salaries	118,761	106,968
Staff benefits	61,902	59,856
End of service benefits (Note 21)	15,968	5,523
	196,631	**172,347**
Staff costs have been charged to:		
Cost of sales (Note 25)	38,599	37,970
General and administrative expenses (Note 26)	158,032	134,377
	196,631	**172,347**

28. Impairment reversal

	2022	2021
	AED'000	AED'000
Impairment reversal of project cost (Note 5)	**12,727**	**32,328**

29. Other income

	2022	2021
	AED'000	AED'000
Government grant (Note 20)	2,780	2,780
Others	4,985	13,392
	7,765	**16,172**

30. Finance income/ (costs) – net

	2022	2021
	AED'000	AED'000
Interest income on short-term bank deposits	28,762	7,255
Interest income on financial assets at fair value through other comprehensive income (Note 9)	3,305	2,644
Interest income on call account with banks	1,487	624
Interest income earned on financial assets at amortised cost	-	610
Interest income on financial assets at fair value through profit or loss	2,000	500
Total finance income	**35,554**	**11,633**
Interest on lease liabilities	(295)	(712)
Interest expense on bank borrowings	(90,652)	(20,063)
Amortisation of arrangement fee	(8,476)	(1,599)
	(99,423)	**(22,374)**
Interest expenses capitalized	12,738	13,247
Total finance costs	(86,685)	(9,127)
Finance (costs)/ income - net	**(51,131)**	**2,506**

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs is the weighted average interest rate applicable to the entity's general borrowings during the year of 2.900% (2021 – 1.905%).

31. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Amortised cost	**2022**	**2021**
	AED'000	**AED'000**
Cash and cash equivalents (Note 15)	1,473,908	1,245,588
Financial assets at amortised cost (Note 8)	305,157	309,075
Trade and other receivables, excluding prepayments and advance to contractors / suppliers	221,047	161,112
Due from related parties (Note 12)	31,396	3,618
Term deposits (Note 14)	11,300	114,800
Total	**2,042,808**	**1,834,193**

Fair value through other comprehensive income (FVTOCI)

	2022	**2021**
	AED'000	**AED'000**
Financial assets at fair value through other comprehensive income (Note 9)	**52,911**	**58,113**

Financial assets at Fair value through profit or loss (FVTPL)

	2022	**2021**
	AED'000	**AED'000**
Investment in National Bonds (Note 13)	-	100,000

Other financial liabilities at amortised cost

	2022	**2021**
	AED'000	**AED'000**
Bank borrowings (Note 19)	4,489,586	1,987,885
Trade and other payables (excluding deferred revenues and including non-current retention payable)	1,207,284	1,149,453
Due to related parties (Note 12)	257,267	166,287
Lease liabilities (Note 6)	3,071	14,952
	5,957,208	**3,318,577**

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values at the reporting date.

32. Acquisition of Empower Snow LLC

On 18 August 2021, later amended on 16 December 2021, the Group entered into a sale and purchase agreement with Nakheel PJSC (Nakheel) to acquire the 100% share capital of Empower Snow LLC, a subsidiary of Nakheel, for a period of 30 years for a consideration of AED 673.9 million. Of the consideration, an amount of AED 5.6 million was retained towards the customers prepayment and security deposit balance transferred by Nakheel on the effective date (net payment: AED 668.3 million).

Empower Snow LLC is a company incorporated in Dubai, UAE (registration no. 1569318). The company is a special purpose vehicle that entered into a master concession agreement with Nakheel, whereby Nakheel granted rights to Empower Snow LLC to operate and maintain the cooling systems and to provide district cooling services to its developments, in accordance with the terms and conditions set out in the agreement.

Furthermore, on 16 December 2021, Nakheel signed an asset transfer agreement with Empower Snow LLC transferring the rights, title, and interest in 16 District cooling assets.

Management performed a detailed analysis on this transaction with Nakheel and concluded this as a failed sale transaction and accounted for it as a finance arrangement at the net present value of the consideration paid amounting to AED 309.2 million (Note 8) (given the minimum guaranteed amount guaranteed by the seller under the contract). The excess consideration paid of AED 364.7 million represents an intangible asset for the right to charge users of the district cooling services under the transaction for a period of 30 years (Note 7).

The acquisition of Empower Snow LLC did not qualify as a transaction to be accounted for under IFRS 3 (Business Combinations) given the lack of business processes available in Empower Snow LLC.

33. Guarantees

As at 31 December 2022, the Group had outstanding bank guarantees and letters of credits amounting to AED 4,886,945 (2021: AED 376,697), which were issued by the Group's bankers in the normal course of business.

34. Commitments

Capital commitments

As at 31 December 2022, the Group had project commitments of AED 509,685 thousand (2021: AED 610,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as at 31 December 2022 and as at 31 December 2021, net of invoices recorded and accruals made as at that date.

35. Earning per share

	2022	2021
	AED'000	AED'000
Profit attributable to the ordinary equity holders of the Company	1,000,567	935,860
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share*	10,000,000	10,000,000
Basic and diluted earnings per share	**0.100**	**0.094**

*In relation to Initial Public Offering (IPO) process, the share capital of the Company was structured as follows through the Decree No. (22) of 2022 issued by the Ruler of Dubai on 14 October 2022:

Number of shares	10,000,000 thousand
Par value per share	AED 0.10
Capital	**AED 1,000,000 thousand**

36. Non-cash transactions

	2022	2021
	AED'000	AED'000
Additions of right-of-use-assets (Note 6)	3,957	1,070
Customer prepayment and security deposit (Note 32)	5,606	5,606

37. Investment properties

	2022	2021
	AED'000	AED'000
Land and building under construction		
At 1 January	-	-
Transfer from Land (Note 5)	2,536	-
Transfer from property, plant and equiptment (Note 5)	70,323	-
At 31 December	**72,859**	**-**

The Group started construction of its head quarter project in 2021. The project consists of two towers with common area and retail outlets which are expected to be completed during the third quarter of 2023.
During the year, management revisited its plan of occupation and concluded to occupy only one tower for its use along with its related common area. As a result, the carrying amount of one tower and related areas were transferred to investment properties from property, plant and equipment (Note 5).
The investment property is under construction which is expected to be completed in 2023 with an expected cost to complete amounting to AED 20,786 thousand. As of 31 December 2022, the fair value of investment property approximates to AED 74,436 thousand.

38. 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 categorized.

	Level 1	Level 2	Level 3	Total
31 December 2022	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Financial assets at fair value through other comprehensive income (Note 9)	52,911	-	-	52,911
	52,911	**-**	**-**	**52,911**
31 December 2021				
Financial assets at fair value through profit or loss (Note 13)	-	100,000	-	100,000
Financial assets at fair value through other comprehensive income (Note 9)	58,113	-	-	58,113
	58,113	**100,000**	**-**	**158,113**

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.

39. Dividends

	2022	2021
	AED'000	**AED'000**
Interim dividend for the year ended 31 December 2022 (AED 2.9 per share)	2,900,000	-
Final dividend for the year ended 31 December 2021 AED 0.5 per share (2021: Final dividend for the year ended 31 December 2020, AED 0.3 per share)	500,000	300,000
Total dividends	**3,400,000**	**300,000**

During the year, the dividend paid by the Company amounting to AED 3,400,000 thousand (2021: AED: 400,300 thousand which includes payment of interim dividend for the year ended 31 December 2020 which was declared and approved on 20 December 2020 by the Board of Directors of the Group and was paid in January 2021).

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend amounting to AED 425,000 thousand which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. The aggregate amount of the proposed dividend expected to be paid in April 2023 out of retained earnings at 31 December 2022, but not recognised as liability at year end.

40. Subsequent event

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

The UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,00 based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

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