Emirates Central Cooling Systems Corporation P.J.S.C

Directors' report and consolidated financial statements for the year ended 31 December 2023

Emirates Central Cooling Systems Corporation P.J.S.C

Directors' report and consolidated financial statements for the year ended 31 December 2023

Directors' report
for the year ended 31 December 2023

Directors' report

The Board of Directors present their report and audited consolidated financial statements of Emirates Central Cooling Systems Corporation P.J.S.C (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2023.

Principal activities

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

Financial and operational performance

The Group has reported a turnover of AED 3,035,203 thousand and has recorded a net profit attributable to the equity holders of the Company amounting to AED 952,927 thousand for the year ended 31 December 2023.

During the year, the Group signed new concession agreements with Dubai Maritime City and Sobha Realty, for a total capacity of 80,000 refrigeration tons (RT) that is expected to be connected in the future.

During the year 2023, a final dividend of AED 425,000 thousand (AED 0.0425 per share) for the financial year ended 31 December 2022 was approved by the shareholders in the Annual General Meeting held in March 2023 and subsequently paid in the month of April 2023 (2022: Final dividend of AED 500,000 thousand (AED 0.5 per share)). For the year ended 31 December 2023, an interim dividend of AED 425,000 thousand (AED 0.0425 per share) was approved by the Board of Directors in the month of September 2023 and subsequently fully paid in the month of October 2023 (2022: Interim dividend of AED 2,900,000 thousand (AED 2.9 per share)).

Outlook

As per United Arab Emirates (UAE) Central Bank, the UAE's GDP expected to grow from 3.1% in the current year 2023 to 5.7% in 2024. UAE's oil economy is expected to grow by 8.1% and non-oil economy by 4.7% during the year 2024. The UAE district cooling market is projected to grow at a compounded annual growth rate of approximately 10.12% during the forecast period 2023-28.

District Cooling Services (DCS) being eco-efficient solution, utilising 50% lesser energy compared to traditional cooling systems, requires less initial expenditure and ongoing maintenance and has thus become the norm of real estate developments in the United Arab Emirates (UAE).

The UAE is taking the lead in the development of district cooling as a significant energy-efficient solution and the Group is poised to utilise the opportunity by expanding its footprints across the UAE and also explore other expansion opportunities.

Directors

The Directors who held office during the year, their committee memberships and functions, as at 31 December 2023 were as follows:

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

Emirates Central Cooling Systems Corporation P.J.S.C

Directors' report
for the year ended 31 December 2023 (continued)

Dubai Airport District Cooling Plants

In May 2023, the Group signed a share purchase and sale agreement and a shareholders agreement with Dubai Aviation City Corporation ("DACC") to acquire 85% holding in DXB CoolCo FZCO ("DXB Cool") which is the district cooling service provider for Dubai Airport for a period of 35 years from the commencement date of the agreement (5 July 2023). DXB Cool secured the concession rights for providing district cooling services to Dubai Airport through a master concession agreement signed with DACC on 18 May 2023. The transaction was completed in the month of July 2023 and DXB Cool is accounted for as a subsidiary of the Company.

Auditors

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by PricewaterhouseCoopers Limited Partnership Dubai Branch, who were appointed as external auditors of the Group for the year ended 31 December 2023 in the Annual General Assembly meeting held on 29 March 2023. PricewaterhouseCoopers Limited Partnership Dubai Branch are eligible for reappointment as auditors for the year 2024 and have expressed their willingness to continue in office.

On behalf of the Board

H.E Saeed Mohammed Ahmad Al Tayer
Chairman
9 February 2024

Independent auditor's report to the shareholders of Emirates Central Cooling Systems Corporation P.J.S.C

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 ("the Company") and its subsidiaries (together "the Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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.

PricewaterhouseCoopers Limited Partnership Dubai Branch, License no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

Our audit approach

Overview

Key Audit Matter	• 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 matter	*How our audit addressed the key audit matter*
Accuracy of revenue from consumption charges The Group reported revenues from district cooling services of AED 3,017,829 thousand (Note 23) for the year ended 31 December 2023 of which AED 1,719,593 thousand is 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 calculated 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;

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

Key audit matter	*How our audit addressed the key audit matter*
Accuracy of revenue from consumption charges (continued)	• 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; • On a sample basis, we tested the accuracy of the meter readings and checked that the data of the respective meter readings, as per the sample selected, was appropriately reflected in the billing system; • We evaluated the interface between the meter data management system and the billing system; • 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.

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

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 IFRS Accounting 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) 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;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 1 to the consolidated financial statements the Group has purchased shares during the year ended 31 December 2023;

vi) note 12 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) 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 2023 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 2023.

PricewaterhouseCoopers Limited Partnership Dubai Branch
9 February 2024

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

Emirates Central Cooling Systems Corporation P.J.S.C

Consolidated statement of financial position

	Notes	As at 31 December 2023 AED'000	2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	6,934,815	6,993,939
Right-of-use assets	6	3,994	2,943
Intangible assets	7	339,982	352,139
Deferred tax assets	28	17,454	-
Financial assets at amortised cost	8	1,324,786	301,003
Financial assets at fair value through other comprehensive income	9	54,153	52,911
Investment properties	37	85,645	72,859
Investment in a joint venture		307	307
		8,761,136	7,776,101
Current assets			
Inventories	10	43,730	46,151
Trade and other receivables	11	319,094	311,965
Due from related parties	12	8,821	31,396
Financial assets at amortised cost	8	19,105	4,154
Financial assets at fair value through profit or loss	13	10,000	-
Term deposits	14	27,500	11,300
Cash and cash equivalents	15	538,780	1,473,908
		967,030	1,878,874
Total assets		9,728,166	9,654,975
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		14,510	5,836
Contributed capital	18	82,190	82,190
Retained earnings		1,547,518	1,444,591
		3,144,218	3,032,617
Non-controlling interests	32	166,783	2,125
Total equity		3,311,001	3,034,742

Emirates Central Cooling Systems Corporation P.J.S.C

Consolidated statement of financial position (continued)

	Notes	As at 31 December 2023 AED'000	2022 AED'000
LIABILITIES			
Non–current liabilities			
Bank borrowings	19	4,492,438	4,489,586
Government grants	20	305,558	308,338
Provision for employees' end of service benefits	21	54,666	56,035
Retentions payable	22	18,036	5,257
Lease liabilities	6	584	729
		4,871,282	4,859,945
Current liabilities			
Trade and other payables	22	1,403,263	1,497,509
Due to related parties	12	135,953	257,267
Government grants	20	3,170	3,170
Lease liabilities	6	3,497	2,342
		1,545,883	1,760,288
Total liabilities		6,417,165	6,620,233
Total equity and liabilities		9,728,166	9,654,975

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 2023. These consolidated financial statements were approved by the Board of Directors on 9 February 2024 and were signed on their behalf by:

Chief Executive Officer

Chairman

Emirates Central Cooling Systems Corporation P.J.S.C

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2023 AED'000	2022 AED'000
Revenue	23	3,035,203	2,792,539
Interest income on financial asset at amortised cost		38,711	18,545
Cost of sales	25	(1,740,878)	(1,551,848)
Impairment reversal of project cost		-	12,727
Gross profit		1,333,036	1,271,963
General and administrative expenses	26	(220,285)	(209,977)
Provision for expected credit losses	11	-	(17,865)
Other income	29	7,120	7,765
Operating profit		1,119,871	1,051,886
Finance income	30	43,593	35,554
Finance costs	30	(220,833)	(86,685)
Finance (costs)/ income - net		(177,240)	(51,131)
Profit before tax		**942,631**	**1,000,755**
Income taxes	28	17,454	-
Profit after tax		**960,085**	**1,000,755**
Profit attributable to:			
Equity holders of the Company		952,927	1,000,567
Non-controlling interests	32	7,158	188
		960,085	1,000,755
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (AED)	35	0.095	0.100
Profit for the year		**960,085**	**1,000,755**
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		1,242	(5,202)
Remeasurement of post-employment benefit obligations		7,432	8,297
Other comprehensive income for the year		8,674	3,095
Total comprehensive income for the year		968,759	1,003,850
Total comprehensive income for the year attributable to:			
Equity holders of the Company		961,601	1,003,662
Non-controlling interests		7,158	188
		968,759	1,003,850

Emirates Central Cooling Systems Corporation P.J.S.C

Consolidated statement of changes in equity

	Notes	Share capital AED'000	Statutory reserve AED'000	Other reserves AED'000	Retained earnings AED'000	Contributed capital AED'000	Total equity AED'000	Non-controlling interests AED'000	Total AED'000
		Attributable to equity holders of the Company							
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
At 1 January 2023		1,000,000	500,000	5,836	1,444,591	82,190	3,032,617	2,125	3,034,742
Total comprehensive income for the year									
Profit for the year		-	-	-	952,927	-	952,927	7,158	960,085
Other comprehensive income									
Other comprehensive income for the year		-	-	8,674	-	-	8,674	-	8,674
Total comprehensive income for the year		-	-	8,674	952,927	-	961,601	7,158	968,759
Transaction with owners in their capacity as owners:									
Non-controlling interest on acquisition of subsidiary	32	-	-	-	-	-	-	157,500	157,500
Dividends declared	39	-	-	-	(850,000)	-	(850,000)	-	(850,000)
At 31 December 2023		1,000,000	500,000	14,510	1,547,518	82,190	3,144,218	166,783	3,311,001

Emirates Central Cooling Systems Corporation P.J.S.C

Consolidated statement of cash flows

	Note	Year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from operating activities			
Profit before tax		942,631	1,000,755
Adjustments for:			
Depreciation of property, plant and equipment	5	332,884	311,807
Depreciation of right-of-use assets	6	3,158	2,868
Amortisation of intangible assets	7	12,157	12,157
Settlement of financial assets	8	49,977	22,463
Impairment reversal of project costs		-	(12,727)
Amortisation of arrangement fee	30	2,852	8,476
Gain on disposal of property, plant and equipment		-	(29)
Gain on modification of right-of-use assets	6	(23)	(1,461)
Net impairment losses on financial assets	11	-	17,865
Provision for employees' end of service benefits	21	7,186	15,968
Provision for impairment of slow moving and obsolete inventories	10	389	361
Interest on lease liabilities	30	104	295
Interest income earned on financial assets at amortised cost	8	(38,711)	(18,545)
Finance income	30	(43,593)	(35,554)
Interest expense on bank borrowings	30	217,877	90,652
Government grant income	20	(2,780)	(2,780)
Operating cash flows before changes in working capital and payment of employees' end of service benefits		1,484,108	1,412,571
Changes in working capital:			
Inventories		2,032	(19,494)
Trade and other receivables before advances		6,005	(77,130)
Due from related parties		22,575	(27,778)
Trade and other payables		(692)	46,826
Due to related parties		(121,314)	90,980
Cash generated from operations		1,392,714	1,425,975
Payment of employees' end of service benefits	21	(1,123)	(1,339)
Net cash generated from operating activities		1,391,591	1,424,636
Cash flows from investing activities			
Acquisition of subsidiary	32	(892,500)	-
Additions to property, plant and equipment		(320,144)	(434,860)
Short-term deposits (more than 3 months) redeemed/(invested)		(16,200)	103,500
Redemption/(investment) in financial assets at fair value through profit and loss	13	(10,000)	100,000
Finance income received	30	42,887	35,554
Additions to Investment properties	37	(12,786)	-
Proceeds from disposal of property, plant and equipment		-	29
Net cash used in investing activities		(1,208,743)	(195,777)

The notes on pages 16 to 79 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December 2023 AED'000	2022 AED'000
Cash flows from financing activities			
Proceeds from bank borrowings net of arrangement fee		-	5,406,211
Repayment of bank borrowings	19	-	(2,912,984)
Dividends paid	39	(850,000)	(3,400,000)
Principal element of lease payments	6	(3,176)	(2,819)
Interest element of lease payments	6	(104)	(295)
Finance costs paid	30	(264,696)	(90,652)
Net cash used in financing activities		(1,117,976)	(1,000,539)
Net (decrease)/increase in cash and cash equivalents		(935,128)	228,320
Cash and cash equivalents at the beginning of the year		1,473,908	1,245,588
Cash and cash equivalents at the end of the year	15	538,780	1,473,908

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	2023 AED'000	2022 AED'000
Cash and cash equivalents	15	538,780	1,473,908
Borrowings-repayable within one year	19	-	-
Borrowings-repayable after one year	19	(4,492,438)	(4,489,586)
		(3,953,658)	(3,015,678)
Lease liabilities	6	(4,081)	(3,071)
Net debt		(3,957,739)	(3,018,749)
Cash and cash equivalents	15	538,780	1,473,908
Lease liabilities	6	(4,081)	(3,071)
		534,699	1,470,837
Gross debt-fixed interest rates		-	-
Gross debt-variable interest rates	19	(4,492,438)	(4,489,586)
		(3,957,739)	(3,018,749)

1 Establishment and operations

Emirates Central Cooling Systems Corporation P.J.S.C ("EMPOWER" or "the Company"), formerly Emirates Central Cooling Systems Corporation, was established on 23 November 2003 in accordance with Article 3 of Law No.10 ("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 formalised 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. As a result, DEWA and Emirates Power Investment LLC's interest was diluted to 56.0% and 24.0% respectively.

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.

On 9 December 2022 UAE Federal Decree Law No. 47 of 2022 was published setting in place a general corporate income tax for the first time. The profit threshold of AED 375,000 at which the 9% tax will apply was set in place by Cabinet Decision No. 116 of 2022 which was published on 16 January 2023 and at this point the tax law was considered enacted and substantively enacted for accounting purposes. While current taxes are not payable on profits generated before the Company's financial year commencing on 1 January 2024, the existence of an enacted tax law results in the need to immediately record deferred taxes on assets and liabilities where the carrying amount differs from the tax base. The material accounting policies in respect of current and deferred tax are disclosed in Note 2.23.

As a result of the enactment / substantial enactment of Corporate tax, management performed assessment of deferred tax, with the help of an external consultant, for application of IAS 12 taking into consideration the cabinet decisions with respect to adjustments for temporary and permanent differences. Based on the assessment, the Group recorded a deferred tax asset as at 31 December 2023 as disclosed in Note 28.

1 Establishment and operations (continued)

The Company has the following material subsidiaries:

Subsidiary	**Principal activities**	**Beneficial and legal shareholding** 2023	2022
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 providing air-conditioning, ventilator and refrigeration services.	100%	100%
DXB CoolCo. FZCO	Establishing and operating district cooling projects and providing air-conditioning, ventilator and refrigeration services.	85%	-

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%. Subsequent to the year end, the Group purchased minority share of 3% from Logstor Holding for AED 160 thousand.

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 thousand.

During 2023, the Company acquired 85% interest in DXB CoolCo FZCO, a company providing District Cooling Services to Dubai Airport owned by Dubai Aviation City Corporation (“DACC”) for a purchase consideration of AED 892,500 thousand.

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue on 9 February 2024.

2 Material accounting policies

Material 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 IFRS Accounting Standards 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.

Although as of 31 December 2023, the Group's current liabilities exceeded its current assets by AED 578,853 thousand, management's cash flow projections covering a twelve-month period indicate that the Group will at all stages in that period be able to meet its liabilities as they fall due. Current liabilities as at 31 December 2023 includes the deferred revenue amounting to AED 341,792 thousand (Note 22) which have no cash impact and will be recognised as revenue, and refundable customer security deposits amounting to AED 456,361 thousand (Note 22) which are only repayable on disconnection of service by a customer in the ordinary course of business.

Further, the Group has undrawn loan facilities amounting to AED 1,000,000 thousand which are readily available to meet any additional capital needs that might arise, although management does not expect these will need to be utilised for working capital purposes.

(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 2023, have been adopted in these consolidated financial statements.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(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 2024). 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 (e.g. 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;

- 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.

- Supplier finance arrangements (SFA) – Amendments to IAS 7 and IFRS 7 (effective 1 January 2024). The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:

  The terms and conditions of SFAs.
  - The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
  - The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.
  - The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
  - Non-cash changes in the carrying amounts of financial liabilities in (b).
  - Access to SFA facilities and concentration of liquidity risk with finance providers.

2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations not yet adopted by the Group (continued)

The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application.

- 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.

2 Material accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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 Material accounting policies (continued)

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 recognised 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 Material accounting policies (continued)

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 companies 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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(i) Classification (continued)

Classification of financial assets at fair value through profit and loss (continued)

The financial assets of the Group are as follows:

	Carrying amount	
	2023	2022
	AED'000	AED'000
Trade and other receivables excluding prepayments and advances (Note 11)	215,632	221,047
Financial assets at fair value through profit and loss (Note 13)	10,000	-
Term deposits (Note 14)	27,500	11,300
Cash and cash equivalents (Note 15)	538,780	1,473,908
Due from related parties (Note 12)	8,821	31,396
Financial assets at amortised cost (Note 8)	1,343,891	305,157
Financial assets at fair value through other comprehensive income (Note 9)	54,153	52,911

(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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Equity instruments (continued)

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).

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

Impairment (continued)

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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(iii) Subsequent measurement (continued)

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.

2 Material accounting policies (continued)

2.5 Financial assets (continued)

(iv) Derecognition (continued)

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 recognised at fair value at acquisition date. They have a finite useful life of 30 years and are subsequently carried at cost less accumulated amortisation 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 Material accounting policies (continued)

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 a publicly traded company with the majority of its ownership held by the Government of Dubai.

2 Material accounting policies (continued)

2.12 Employees end of service benefits

In accordance with UAE labour law, the Group provides end of service benefits to its employees. The entitlement to these benefits is usually based upon the employees' salary and length of service, subject to the completion of a minimum service period.

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Post employment obligations

The Group provides post-employment defined benefit plan which is currently unfunded. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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

2 Material accounting policies (continued)

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 Material accounting policies (continued)

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.

2 Material accounting policies (continued)

2.14 Leases (continued)

As a lessee (continued)

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 prevailing incremental borrowing rate (at the time of contract signing or renewal date) as the discounted rate.

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.

2 Material accounting policies (continued)

2.14 Leases (continued)

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 Material accounting policies (continued)

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:

2 Material accounting policies (continued)

2.16 Revenue recognition (continued)

(a) District cooling services

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

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

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

Other revenue comprises services that are recognised 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 Material accounting policies (continued)

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 ("CODM") 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 as 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.

2 Material accounting policies (continued)

2.23 Current and deferred income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge / (credit) comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Taxable profits or losses are based on estimates if the consolidated financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred taxes are recorded on temporary differences arising after initial recognition of goodwill, including those arising on initial introduction of the tax law in the UAE. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

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:

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(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 Nasdaq. 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 Nasdaq index on the group's post-tax profit for the period. The analysis is based on the assumption that the index had increased by 1% or decreased by 1%, with all other variables held constant, and that all of the Group's financial instruments moved in line with the index.

	2023 AED'000	2022 AED'000
Nasdaq index-increase 1%	539	526
Nasdaq index -decrease 1%	(539)	(526)

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) 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 rates 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 2023, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, profit for the year would have been AED 37,864 thousand (2022: AED 26,866 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:

	2023 AED'000	2022 AED'000
Interest rate – re-pricing dates:		
3 months or less	4,492,438	4,489,586

Further, at 31 December 2023, 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 2023 would have been lower by AED 23 thousand (2022: AED 54 thousand) mainly as a result of higher interest expense and would have been higher by AED 24 thousand (2022: AED 60 thousand) mainly as a result of lower interest expense.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(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

During 2021, the Group recognised a financial asset 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.

During 2023, the Group recorded a financial asset which represents receivable from DACC (grantor) under IFRIC 12 as a result of acquisition of DXB Cool (Note 8).

The table overleaf 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:

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Financial assets at amortised cost (continued)

	Amount in'AED'000					
	Credit loss allowance			Gross carrying value		
Item	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 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	-	-	-	309,075	-	-
Repayment during the year	-	-	-	(22,463)	-	-
Unwinding of interest income during the year	-	-	-	18,545	-	-
As 31 December 2022	-	-	-	305,157	-	-
Financial asset at amortised cost						
At 1 January 2023	-	-	-	305,157	-	-
Movements with impact on credit loss allowance charge for the year					-	-
New originated or purchased	-	-	-	1,050,000	-	-
Total impact with impact on credit loss charge during the year				1,355,157	-	-
Repayment during the year	-	-	-	(49,977)	-	-
Unwinding of interest income during the year	-	-	-	38,711	-	-
As 31 December 2023	-	-	-	1,343,891	-	-

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 and DACC being government entities. 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 2023 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash at bank and short-term bank deposits

	Source	2023 AED'000	2022 AED'000
A	Moody's	25	25
A+	Fitch	40,220	13
Ba1	Moody's	10,245	78
Ba2	Moody's	6	1,255,251
Baa1	Moody's	11,923	4,626
Baa2	Moody's	9,218	4,902
Baa3	Moody's	462,241	201,153
BBB+	Fitch	4,860	7,818
Caa1	Moody's	-	42
Caa3	Moody's	42	-
		538,780	1,473,908

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 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 considers low credit risk for these 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 2023					
Bank borrowings (including interest) (Note 19)	4,492,438	5,191,643	272,142	4,919,501	-
Trade and other payables (excluding deferred revenues and including non-current retention payable) (Note 22)	1,079,507	1,079,507	1,079,507	-	-
Lease liabilities (including interest) (Note 6)	4,081	4,300	3,638	418	244
Due to related parties (Note 12)	135,953	135,953	135,953	-	-
	5,711,979	6,411,403	1,491,240	4,919,919	244

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	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) (Note 19)	4,489,586	5,348,545	238,949	5,109,596	-
Trade and other payables (excluding deferred revenues and including non-current retention payable) (Note 22)	1,212,541	1,212,541	1,212,541	-	-
Lease liabilities (including interest) (Note 6)	3,071	3,256	2,422	485	349
Due to related parties (Note 12)	257,267	257,267	257,267	-	-
	5,962,465	6,821,609	1,711,179	5,110,081	349

During 2022, the Group obtained a bank loan which is disclosed in Note 19. There has been no change in the contractual undiscounted cash outflows for financial liabilities during the year. Net cash generated from operating activities has decreased by AED 33,045 thousand (2022: AED 58,430 thousand) from AED 1,424,636 thousand for the year 2022 to AED 1,391,591 thousand for the year.

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.

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The gearing ratios as at 31 December 2023 and 31 December 2022 were as follows:

	2023 AED'000	2022 AED'000
Total borrowings (Note 19)	4,492,438	4,489,586
Less: cash and cash equivalents (Note 15)	(538,780)	(1,473,908)
Net debt	3,953,658	3,015,678
Total equity	3,311,001	3,034,742
Total capital	7,264,659	6,050,420
Gearing ratio	54.42%	49.84%

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

3.3 Fair value estimation

As at 31 December 2023 and 2022, 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 realised 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 categorised 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 have been recognised against non-financial assets during the year ended 31 December 2023 (2022: 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.

(c) Acquisition of DXB COOLCO FZCO

During the year ended 31 December 2023, EMPOWER entered into an agreement with DACC to acquire 85% of DXB Cool. The purpose of DXB Cool is to provide district cooling services to Dubai Airports Corporation ("DAC"), fully managed by EMPOWER. Although certain foundation documents with respect to DXB Cool provide the second shareholder (DACC) with certain decision-making rights, which are deemed to be protective rights given the strategic nature of the transaction and its importance to the Government of Dubai, the management assessed that based on provisions in the foundation documents, EMPOWER has adequate rights to make strategic, operational and financial decisions unilaterally. On that basis, the management concluded that EMPOWER has control over DXB Cool.

5 Property, plant and equipment

	Land AED'000	**Plant, equipment and machinery** AED'000	**Buildings** AED'000	**Furniture and fixtures** AED'000	**Leasehold improvements** AED'000	**Computer equipment** AED '000	**Vehicles** AED'000	**Capital work-in-progress** AED'000	**Total** AED'000
Cost									
At 1 January 2022	494,282	8,032,967	70,709	16,776	11,490	40,902	6,914	842,069	9,516,109
Additions	-	16	-	1,578	400	667	2,091	387,517	392,269
Transfers	-	765,034	-	-	-	861	-	(765,895)	-
Transfer to Investment properties (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
Additions	-	5	-	766	-	59	305	274,490	275,625
Reversal of accrual	-	(1,865)	-	-	-	-	-	-	(1,865)
Transfers	-	410,273	-	1,602	565	2,465	3,121	(418,026)	-
Disposals	-	(26,577)	-	(26)	-	(5)	-	-	(26,608)
At 31 December 2023	432,364	9,162,263	70,709	20,692	12,455	44,940	11,992	249,832	10,005,247

Capital work-in-progress balances include costs incurred in the construction of district cooling plants and networks pertaining to various projects. During the year 2023, a transfer was made from capital work-in-progress to plant, equipment and machinery due to completion of two district cooling projects.

* During the year 2022, the Group returned 11 plots of land to a related party, which were granted in previous years for the purpose of constructing the district cooling plants. Accordingly, the carrying amount of AED 59,382 thousand was reversed from property, plant and equipment and the corresponding deferred government grant. District cooling assets with a net book value of AED 298,522 thousand are developed on some of these plots of land. Management has signed a Master Land Agreement and Exclusivity and Framework Agreement in the year 2022 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.

5 Property, plant and equipment (continued)

	Land AED'000	Plant, equipment and machinery AED'000	Buildings AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED '000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Accumulated depreciation and impairment									
At 1 January 2022	-	2,358,259	29,012	15,725	10,821	33,831	5,649	29,821	2,483,118
Charge for the year	-	304,890	2,748	1,117	58	2,365	629	-	311,807
Impairment reversal **	-	-	-	-	-	-	-	(12,727)	(12,727)
Disposals	-	(17,590)	-	(4)	-	(9)	(439)	-	(18,042)
At 31 December 2022	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156
Charge for the year	-	324,474	2,785	1,410	900	2,359	956	-	332,884
Disposals	-	(26,577)	-	(26)	-	(5)	-	-	(26,608)
At 31 December 2023	-	2,943,456	34,545	18,222	11,779	38,541	6,795	17,094	3,070,432
Net book amount									
31 December 2023	432,364	6,218,807	36,164	2,470	676	6,399	5,197	232,738	6,934,815
31 December 2022	432,364	6,134,868	38,949	1,512	1,011	6,234	2,727	376,274	6,993,939

** In prior 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 55,000 thousand was recorded. During 2022, construction of these projects resumed and hence management assessed the recoverable amount using value-in-use calculations. Management also analysed the work which can be utilised and will not have to be undertaken again. As a result, the Group reversed the impairment amounting to AED 12,727 thousand in relation to these projects.

Depreciation expense of AED 324,474 thousand (2022: AED 304,890 thousand) has been charged to 'cost of sales' (Note 25) and AED 8,410 thousand (2022: AED 6,917 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 only, given that the new head office building (under construction) is anticipated to be ready before the end of 2024.

	Equipment AED'000	**Buildings** AED'000	**Total** AED'000
Cost			
At 1 January 2022	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
Additions	-	4,284	4,284
Modification of right-of-use assets*	(551)	-	(551)
At 31 December 2023	1,179	14,235	15,414
Accumulated depreciation			
At 1 January 2022	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
Charge for the year	154	3,004	3,158
Modification of right-of-use assets*	(476)	-	(476)
At 31 December 2023	602	10,818	11,420
Net book amount			
31 December 2023	577	3,417	3,994
31 December 2022	806	2,137	2,943

6 Right-of-use assets and lease liabilities (continued)

The Group recognised lease liabilities as follows:

	2023 AED'000	2022 AED'000
At 1 January	3,071	14,952
Additions during the year	4,284	3,957
Interest on lease liabilities	104	295
Remeasurement of lease liabilities*	(98)	(13,019)
Paid during the year	(3,280)	(3,114)
At 31 December	4,081	3,071
Less: current portion	(3,497)	(2,342)
Non-current portion	584	729

* 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 23 thousand (2022: AED 1,461 thousand) was recognised in the consolidated statement of comprehensive income.

Interest expense included in finance costs amounted to AED 104 thousand (2022: AED 295 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 3,280 thousand (2022: AED 3,114 thousand).

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

	2023 AED'000	2022 AED'000
Expense relating to short-term leases (Note 26)	593	488

7 Intangible assets

	2023 AED'000	2022 AED'000
At 1 January	352,139	364,296
Amortised during the year (Note 25)	(12,157)	(12,157)
At 31 December	339,982	352,139

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

8 Financial assets at amortised cost

	2023 AED'000	2022 AED'000
At 1 January	305,157	309,075
Additions during the year (Note 32)	1,050,000	-
Interest earned during the year	38,711	18,545
Settlement during the year	(49,977)	(22,463)
At 31 December	1,343,891	305,157
Less: current portion	(19,105)	(4,154)
Non-current portion	1,324,786	301,003

The opening balance of the financial assets at amortised cost on 1 January 2023 represents receivable from Nakheel PJSC (Note 12) in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021.

Additions during the year represent financial asset receivable from DACC (grantor) under IFRIC 12 as a result of the acquisition of DXB Cool (Note 32). The financial asset is initially recognised at fair value and subsequently measured at amortised cost. The fair value of the financial asset is the transaction price which is agreed between the market participants through a competitive bidding process. The fair value is determined using the discounted cash flow techniques, the inputs into the valuation techniques includes contractual cash flows and interest rates.

The balance of financial assets at amortised cost as above represents receivable of:

a) AED 301,003 thousand from Nakheel PJSC, an entity under common control, in relation to acquisition of Empower Snow LLC (formerly Snow LLC) during 2021 and;

b) AED 1,042,888 thousand from DACC, an entity under common control, in relation to acquisition of DXB Cool during the year ended 31 December 2023.

The financial assets are categorised within level 3 of the fair value hierarchy which approximates it's carrying value.

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

	2023 AED'000	2022 AED'000
At 1 January	52,911	58,113
Gain / (loss) recognised during the year	1,242	(5,202)
At 31 December	54,153	52,911

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

	2023 AED'000	2022 AED'000
Gain / (loss) recognised in other comprehensive income	1,242	(5,202)
Interest income from equity investments held at FVTOCI recognised in profit or loss (Note 30)	3,947	3,305

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 has been recorded in other comprehensive income.

10 Inventories

	2023 AED'000	2022 AED'000
Spares and consumables for district cooling services	36,143	32,796
Pre-insulated pipes	7,976	13,716
Provision for impairment of slow moving and obsolete inventories	(389)	(361)
	43,730	46,151

The cost of inventories recognised as expense and included in 'cost of sales' is AED 11,662 thousand (2022: AED 18,959 thousand) (Note 25).

11 Trade and other receivables

	2023 AED'000	2022 AED'000
Trade receivables	226,508	250,009
Accrued revenues	49,488	36,100
	275,996	286,109
Less: Provision for expected credit losses	(74,697)	(74,697)
	201,299	211,412
Other financial assets at amortised cost		
Other receivables	14,333	9,635
Other assets		
Advance to contractors / suppliers	89,915	77,487
Prepayments	13,547	13,431
	103,462	90,918
	319,094	311,965

Other receivables includes a deposit of AED 4,490 thousand (2022: AED 4,490 thousand) receivable from DEWA (Note 12).

As at 31 December 2023, the Group faced a concentration of credit risk with three customers (2022: three customers) which accounted for 31.9% (2022: 26.4%) of the trade receivables at that date. Management has recorded a provision of AED 32,962 thousand (2022: AED 38,759 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 2023, the movement in the allowance for impairment of receivables is as follows:

	2023 AED'000	2022 AED'000
At 1 January	74,697	56,832
Charge for the year	-	17,865
Balance at the end of the year	74,697	74,697

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.

11 Trade and other receivables (continued)

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
2023								
Trade receivables and accrued revenue (AED '000)	275,996	49,488	62,269	44,561	11,595	12,679	19,379	76,025
Provision %	-	0%	1.9%	11.5%	24.6%	57.9%	58.0%	61.7%
Provision (AED'000)	74,697	-	1,204	5,113	2,855	7,344	11,239	46,942
Net trade receivables and accrued revenue (AED'000)	201,299	49,488	61,065	39,448	8,740	5,335	8,140	29,083
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

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 456,361 thousand (2022: AED 422,502 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.

Transactions with related parties	2023 AED'000	2022 AED'000
Services rendered to entities under common control of shareholders		
Dubai Properties Group LLC	153,660	156,130
Meraas Holding LLC	39,051	41,598
Jumeirah Group LLC	51,341	49,083
Tecom Investments FZ LLC	68,072	66,206
Global Village Dubai LLC	698	684
	312,822	313,701
Acqusition of DXB Cool		
Dubai Aviation City Corporation	892,500	-
Dividend to shareholders		
Tecom Investments FZ LLC*	-	150,000
Emirates Power Investment LLC*	204,000	870,000
Dubai Electricity and Water Authority (DEWA)	476,000	2,380,000
	680,000	3,400,000
Services received from shareholder		
Dubai Electricity and Water Authority (DEWA)	1,277,023	1,125,582
Services rendered to entities under common control of Ultimate parent		
Dubai Airports Corporation	107,535	-
Services received from entities under common control of Ultimate parent		
Finance cost from Emirates NBD PJSC	252,751	65,661
Key management remuneration		
Board of directors' remuneration (Note 26)	7,000	6,521
Compensation of key management personnel		
Short term benefits	9,694	13,045
End of service benefits	520	520
	10,214	13,565

* 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.

12 Transactions and balances with related parties (continued)

Balances with related parties

	2023 AED'000	2022 AED'000
Due from related parties		
Shareholders		
Dubai Electricity and Water Authority PJSC	4	16,048
Emirates Power Investment LLC	2	6,878
	6	22,926
Entities under common control of shareholders		
Tecom Investments FZ LLC	3,762	4,166
Jumeirah Group LLC	2,311	2,373
Meraas Holding LLC	602	1,858
Others	65	73
	6,740	8,470
Others		
Dubai Airports Corporation	2,075	-
	8,821	31,396
Due to related parties		
Shareholder		
Dubai Electricity and Water Authority PJSC	113,854	237,543
Entities under common control of shareholder		
Dubai Properties Group LLC	17,955	13,016
Dubai Holding LLC	3,708	3,708
	21,663	16,724
Others		
Board of directors	-	2,564
Others	436	436
	135,953	257,267
Amounts included in bank borrowings, financial assets at amortised cost, cash and cash equivalents and trade and other receivables		
Shareholder		
Dubai Electricity and Water Authority PJSC	4,490	4,490
Entities under common control of shareholder		
Emirates NBD PJSC	4,498,463	4,462,871
Dubai Islamic Bank	6,892	1,255,245
Emirates Islamic Bank	40,220	13
Dubai Aviation City Corporation	1,042,888	-
Nakheel PJSC	301,003	305,157

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

	2023 AED'000	2022 AED'000
Investment in National Bonds	10,000	-

14 Term deposits

	2023 AED'000	2022 AED'000
Short-term bank deposits – more than 3 months	27,500	11,300

The term deposits held by the Group have original maturities of more than 3 months. These short-term bank deposits bear an effective interest rate ranging from 5.50% to 5.75% per annum (2022: 5.35% to 5.75% per annum).

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

15 Cash and cash equivalents

	2023 AED'000	2022 AED'000
Cash at bank	168,980	216,208
Short-term bank deposits – less than 3 months	369,800	1,257,700
	538,780	1,473,908

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest which ranges between 3.75% to 5.45%. (2022: 0.45% to 4.85% per annum).

16 Share capital

	2023 AED'000	2022 AED'000
Authorised, issued and fully paid up share capital		
Ordinary shares of 10,000,000 thousand AED 0.10 each	1,000,000	1,000,000

16 Share capital (continued)

The authorised and paid up capital of the Company as at 31 December 2023 amounted to AED 1,000,000 thousand (2022: AED 1,000,000 thousand), of which AED 560,000 thousand (2022: AED 560,000 thousand) was contributed by DEWA, AED 240,000 thousand (2022: AED 240,000 thousand) was contributed by Emirates Power Investment LLC and AED 200,000 thousand by public shareholders (2022: AED 200,000 thousand).

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, 5% 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 distribution, except in circumstances stipulated in the commercial laws applicable to each entity. 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.

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 as the Company is controlled by DEWA, which is also controlled by the Government of Dubai.

During the year 2020, the Group also received 2 plots of land from Meydan City Corporation, with a value of AED 17,500 thousand.

The total contributed capital amounted to AED 82,190 thousand (2022: AED 82,190 thousand).

19 Bank borrowings

	2023 AED'000	2022 AED'000
Term loan	4,500,000	4,500,000
Unamortised loan cost	(7,562)	(10,414)
Total	4,492,438	4,489,586
Less: current portion	-	-
Non-current portion	4,492,438	4,489,586

19 Bank borrowings (continued)

The movement in bank borrowings during the year:

	2023 AED'000	2022 AED'000
As at 1 January	4,489,586	1,987,885
Drawdown during the year*	-	5,418,237
Interest expense during the year (Note 30)	220,729	86,390
Interest capitalised during the year (Note 30)	46,819	12,738
Interest paid during the year	(267,548)	(99,128)
Principal repayment during the year	-	(2,912,984)
Arrangement fee charged to profit and loss (current borrowings/ previous borrowings)	2,852	6,862
Unamortised arrangement fee	-	(10,414)
As at 31 December	4,492,438	4,489,586

* On 29 March 2022, the Group entered into a bridge loan facility with Dubai Islamic Bank PJSC, a related party, amounting to USD 250,000 thousand (AED 918,237 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.

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. 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 2,852 thousand (2022: AED 694 thousand) was charged to profit and loss during the year ended 31 December 2023.

Below are the terms of the current 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

19 Bank borrowings (continued)

The maturity profile of the borrowings is as follows:

	2023 AED'000	2022 AED'000
After one year but not more than three years	2,743,469	2,741,992
More than 3 years	1,748,969	1,747,594
	4,492,438	4,489,586

The undrawn term loan facilities is AED 1,000,000 thousand as at 31 December 2023 (2022: AED 1,000,000 thousand) at a floating rate linked to EIBOR plus margin.

The Group had an outstanding balance in bank guarantees and letters of credits amounting to AED 3,842 thousand (2022: AED 4,887 thousand) which were fully payable to Emirates NBD PJSC, a related party for the Group (Note 33).

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.

	2023 AED'000	2022 AED'000
At 1 January	311,508	373,670
Disposals *	-	(59,382)
Released during the year (Note 29)	(2,780)	(2,780)
At 31 December	308,728	311,508
Less: current portion	(3,170)	(3,170)
Non-current portion	305,558	308,338

* During 2022, the Group returned eleven plots of land to a related party amounting to AED 59,382 thousand (Note 5) 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

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 2023 and 2022, 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 following tables summarise the components of net benefit expense recognised in the consolidated statement of profit or loss and other comprehensive income:

	2023 AED'000	2022 AED'000
Current service cost	4,867	14,101
Interest cost	2,319	1,867
Net expense recognised in the consolidated statement of profit or loss	7,186	15,968
Actuarial gain recognised in the consolidated statement of comprehensive income	(7,432)	(8,297)

Changes in the present value of defined benefit obligations is as follows:

	2023 AED'000	2022 AED'000
At 1 January	56,035	49,703
Current service cost	4,867	14,101
Interest cost	2,319	1,867
Benefits paid during the year	(1,123)	(1,339)
Actuarial gain recognised in the consolidated statement of comprehensive income	(7,432)	(8,297)
At 31 December	54,666	56,035

21 Provision for employees' end of service benefits (continued)

The expected maturity analysis of undiscounted benefits plans is as follows:

	AED'000			
	Less than 12 months	1 to 5 years	>5 years	Total
As at 31 December 2023				
Defined benefits obligation	10,914	27,882	30,010	68,806
	10,914	27,882	30,010	68,806
As at 31 December 2022				
Defined benefits obligation	7,232	29,025	32,197	68,454
	7,232	29,025	32,197	68,454

	2023 AED'000	2022 AED'000
United Arab Emirates	54,666	56,035
At 31 December	54,666	56,035

Management believes that no reasonably possible change in any of the below key assumptions would have material impact on the amounts disclosed in the consolidated financial statements.

The principal assumptions used in determining the provision for end of service benefit obligations are shown below:

	2023	2022
Discount rate per year	4.25%	4.10%
Salary increase per year	3%	5%

Contribution plan

The amount of pension contribution made by the Group for UAE Nationals during the year is AED 4,686 thousand (2022: AED 4,515 thousand).

22 Trade and other payables

	2023 AED'000	2022 AED'000
Refundable customers' security deposits (Note 11)	456,361	422,502
Deferred revenue	341,792	290,225
Project cost accruals	240,489	287,932
Retentions payable	87,731	100,908
Project payables	75,796	95,951
Other liabilities*	219,130	305,248
Total	1,421,299	1,502,766
Less: Non-current portion retentions payable	(18,036)	(5,257)
Current portion	1,403,263	1,497,509

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

Movement in deferred revenue is as follows:

	2023 AED'000	2022 AED'000
At 1 January	290,225	335,556
Billed during the year	1,231,736	1,117,939
Less: Income recognised during the year	(1,180,169)	(1,163,270)
At 31 December	341,792	290,225

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 recognised 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:

	2023 AED'000	2022 AED'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	96,787	125,406
Revenue recognised from performance obligations satisfied in previous periods	-	-

Revenue is recognised at the point in time for connection fee to building owners at which the performance obligation is satisfied.

23 Revenue

	2023 AED'000	2022 AED'000
District cooling services	3,017,829	2,766,231
Sale of pre-insulated pipes	17,374	26,308
	3,035,203	2,792,539

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 organised into two major operating and reportable segments as follows:

- The 'Chilled water' segment constructs, owns, assembles, installs, operates and maintains cooling and conditioning systems. In addition, the segment distributes and sells chilled water for use in district cooling technologies.
- The 'Pre-insulated pipe business' segment is involved in manufacture, assemble and selling activities relating to the expansion of the Group's chilled water business.

24 Operating segments (continued)

	2023				2022			
	Chilled water AED'000	**Pre-insulated pipe AED'000**	**Intersegment eliminations AED'000**	**Total AED'000**	**Chilled water AED'000**	**Pre-insulated pipe AED'000**	**Intersegment eliminations AED'000**	**Total AED'000**
Revenues								
External revenue*	3,017,829	17,374	-	3,035,203	2,766,231	26,308	-	2,792,539
Inter-segment revenue	-	37,864	(37,864)	-	-	19,908	(19,908)	-
Interest earned on financial asset	38,711	-	-	38,711	18,545	-	-	18,545
Total revenues	3,056,540	55,238	(37,864)	3,073,914	2,784,776	46,216	(19,908)	2,811,084
Cost of sales	(1,725,862)	(36,449)	21,433	(1,740,878)	(1,528,455)	(34,567)	11,174	(1,551,848)
Impairment reversal of project cost	-	-	-	-	12,727	-	-	12,727
Gross profit	1,330,678	18,789	(16,431)	1,333,036	1,269,048	11,649	(8,734)	1,271,963
General and administrative expenses	(211,927)	(8,358)	-	(220,285)	(202,557)	(7,420)	-	(209,977)
Provision for expected credit losses	-	-		-	(17,865)	-	-	(17,865)
Other income	5,872	1,248	-	7,120	6,582	1,183	-	7,765
Operating profit	1,124,623	11,679	(16,431)	1,119,871	1,055,208	5,412	(8,734)	1,051,886
Finance income	42,120	1,473	-	43,593	34,716	838	-	35,554
Finance costs	(220,833)	-	-	(220,833)	(86,685)	-	-	(86,685)
Profit before tax	945,910	13,152	(16,431)	942,631	1,003,239	6,250	(8,734)	1,000,755
Income taxes	17,454	-	-	17,454	-	-	-	-
Net profit for the year	963,364	13,152	(16,431)	960,085	1,003,239	6,250	(8,734)	1,000,755

Inter-segment transactions are eliminated on consolidation.

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

24 Operating segments (continued)

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

	2023			2022		
	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 of property, plant & equipment (Note 5)	330,399	2,485	332,884	310,468	1,339	311,807
Depreciation of right-of-use asset (Note 6)	3,158	-	3,158	2,868	-	2,868
Amortisation of intangible asset (Note 7)	12,157	-	12,157	12,157	-	12,157
Total depreciation and amortisation	345,714	2,485	348,199	325,493	1,339	326,832

Segment assets and liabilities are as follows:

	2023			2022		
	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	9,626,555	101,304	9,727,859	9,565,808	88,860	9,654,668
Investment in joint venture	307	-	307	307	-	307
Total assets	9,626,862	101,304	9,728,166	9,566,115	88,860	9,654,975
Total liabilities	6,403,832	13,333	6,417,165	6,606,193	14,040	6,620,233

24 Operating segments (continued)

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

	2023			2022		
	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	275,613	12	275,625	392,227	42	392,269

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**	
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
United Arab Emirates	3,026,127	2,792,539	8,761,136	7,776,101
Kuwait	9,076	-	-	-
	3,035,203	2,792,539	8,761,136	7,776,101

25 Cost of sales

	2023 AED'000	2022 AED'000
Utilities cost	1,285,778	1,134,086
Depreciation on property, plant and equipment (Note 5)	324,474	304,890
Staff costs (Note 27)	39,175	38,599
Repairs and maintenance – plant and equipment	28,376	29,667
Amortisation of intangible assets (Note 7)	12,157	12,157
Materials (Note 10)	11,662	18,959
Depreciation on right-of-use assets (Note 6)	154	692
Others *	39,102	12,798
	1,740,878	1,551,848

*Others include expenses related to spares, consumables, insurance, freight and transportation etc.

26 General and administrative expenses

	2023 AED'000	2022 AED'000
Staff costs (Note 27)	164,454	158,032
Depreciation on property, plant and equipment (Note 5)	8,410	6,917
Directors' remuneration (Note 12)	7,000	6,521
Bank charges	5,931	5,052
Communication expenses	5,350	4,872
Advertising and marketing expenses	4,929	2,780
Software – AMC	3,146	2,889
Depreciation on right-of-use assets (Note 6)	3,004	2,176
HSE equipment expenses	2,246	2,590
Business travel	1,895	448
Water & Electricity	1,868	1,190
Repairs & Maintenance – others	1,584	4,248
Rent (Note 6)	593	488
Others	9,875	11,774
	220,285	209,977

27 Staff costs

	2023 AED'000	2022 AED'000
Salaries	127,172	118,761
Staff benefits	69,271	61,902
End of service benefits (Note 21)	7,186	15,968
	203,629	196,631
Staff costs have been charged to:		
Cost of sales (Note 25)	39,175	38,599
General and administrative expenses (Note 26)	164,454	158,032
	203,629	196,631

28 Income taxes

(a) Component of income tax expense / (benefit)

Income tax credit recorded in consolidated statement of profit or loss comprises of the following:

	2023 AED'000	2022 AED'000
Current tax	-	-
Deferred tax	17,454	-
Income tax credit for the year	17,454	-

The Group will be subject to income tax (Note 1) with effect from 1 January 2024, and current taxes will be accounted, as applicable, for the period beginning 1 January 2024.

(b) Deferred taxes analysed by type of temporary difference

Differences between IFRS Accounting Standards and statutory taxation regulations in the UAE give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The deferred tax asset balance comprises temporary difference attributable to property, plant & equipment amounting to AED 17,454 thousand (2022: Nil).

The deferred tax asset relates to historical Purchase Price Allocation adjustments relating to the acquisition of Palm District Cooling LLC. No other potential deferred tax assets or liabilities have been identified as at 31 December 2023.

The Group will continue to assess the impact of any future changes in enacted law when such changes are substantially enacted or enacted.

29 Other income

	2023 AED'000	2022 AED'000
Government grant (Note 20)	2,780	2,780
Scrap sale	1,813	1,465
Rental income	1,290	645
Others	1,237	2,875
	7,120	7,765

30 Finance costs – net

	2023 AED'000	2022 AED'000
Interest income on short-term bank deposits	38,085	28,762
Interest income on financial assets at FVOCI (Note 9)	3,947	3,305
Interest income on call account with banks	1,489	1,487
Interest income on financial assets at FVTPL	72	2,000
Total finance income	43,593	35,554
Interest on lease liabilities	(104)	(295)
Interest expense on bank borrowings	(264,696)	(90,652)
Amortisation of arrangement fee	(2,852)	(8,476)
	(267,652)	(99,423)
Interest expenses capitalised	46,819	12,738
Total finance costs	(220,833)	(86,685)
Finance costs – net	(177,240)	(51,131)

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 5.882% (2022 – 2.900%).

31 Financial instruments by category

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

Amortised cost	2023 AED'000	2022 AED'000
Cash and cash equivalents (Note 15)	538,780	1,473,908
Financial assets at amortised cost (Note 8)	1,343,891	305,157
Trade and other receivables, excluding prepayments and advance to contractors / suppliers (Note 11)	215,632	221,047
Due from related parties (Note 12)	8,821	31,396
Term deposits (Note 14)	27,500	11,300
Total	2,134,624	2,042,808

Fair value through other comprehensive income (FVTOCI)

	2023 AED'000	2022 AED'000
Financial assets at fair value through other comprehensive income (Note 9)	54,153	52,911

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

	2023 AED'000	2022 AED'000
Investment in National Bonds (Note 13)	10,000	-

	2023 AED'000	2022 AED'000
Other financial liabilities at amortised cost		
Bank borrowings (Note 19)	4,492,438	4,489,586
Trade and other payables (excluding deferred revenues and non-current retention payable) (Note 22)	1,079,507	1,212,541
Due to related parties (Note 12)	135,953	257,267
Lease liabilities (Note 6)	4,081	3,071
	5,711,979	5,962,465

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

Acquisition of DXB COOLCO FZCO

On 18 May 2023, the Group entered into a sale and purchase agreement with Dubai Aviation City Corporation ('DACC') to acquire 85% share capital of DXB Cool for a consideration of AED 892,500 thousand.

DXB Cool is a company incorporated in Dubai Airport Freezone Authority, and has a concession agreement with Dubai Aviation City Corporation (DACC) which granted it the sole and exclusive rights to operate, maintain and perform the district cooling services within the Dubai International Airport for a term of 35 years from the commencement date (5 July 2023).

The transaction with DACC is accounted under IFRIC 12 'Service Concession Arrangements' and DXB Cool holds a financial asset/receivable from DACC amounting to AED 1,050,000 thousand. In the Group's consolidated financial statements, a financial asset of AED 1,050,000 thousand has been recorded, along with a non-controlling interest of AED 157,500 thousand, representing DACC's 15% shareholding.

The financial asset will be recovered over the 35 year-period concession agreement.

Further, the financial asset is initially recognised at fair value and subsequently measured at amortised cost. The fair value of the financial asset is the transaction price which is mutually agreed between the market participants through a competitive bidding process.

Details of the purchase consideration, the net assets acquired at date of acquisition are as follows:

	2023 AED'000
Consideration paid	892,500
Net assets acquired which represents financial asset at amortised cost (Note 8)	1,050,000
Non-controlling interests	157,500
Gain on acquisition	-

Non-controlling interests

Set out below is summarised financial information for DXB Cool.

Summarised statement of financial position	2023 AED'000
Current assets	76,593
Current liabilities	10,653
Current net asssets	65,940
Non-current assets	1,028,898
Net assets	1,094,838
Accumulated NCI	164,264

32 Acquisition (continued)

Summarised statement of comprehensive income	2023 AED'000
Revenue	107,535
Total comprehensive income	45,090
Profit allocated to NCI	6,764

Summarised statement of cash flows	2023 AED'000
Cash flows from operating activities	57,661
Cash flows from investing activities	(547)
Net increase in cash and cash equivalents	57,114

33 Guarantees

As at 31 December 2023, the Group had outstanding bank guarantees and letters of credits amounting to AED 3,842 thousand (2022: AED 4,887 thousand), which were issued by the Group's bankers in the normal course of business.

34 Commitments

Capital commitments

As at 31 December 2023, the Group had project commitments of AED 687,341 thousand (2022: AED 509,685 thousand) for projects-in-progress. These commitments represent the value of contracts issued as at 31 December 2023 and as at 31 December 2022, net of invoices recorded and accruals made as at that date.

35 Earnings per share

	2023 AED'000	2022 AED'000
Profit attributable to the ordinary equity holders of the Company	952,927	1,000,567
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	0.095	0.100

36 Non-cash transactions

	2023 AED'000	2022 AED'000
Additions of right-of-use-assets (Note 6)	4,284	3,957
Customer prepayment and security deposit (Note 22)	-	5,606

37 Investment properties

	2023 AED'000 Land and building under construction	2022 AED'000 Land and building under construction
At 1 January	72,859	-
Transfer from land (Note 5)	-	2,536
Transfer from property, plant and equiptment (Note 5)	-	70,323
Additions during the year	12,786	-
At 31 December	85,645	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 2024. The investment property includes Land amounting to AED 2,536 thousand (2022: AED 2,536 thousand).

During 2022, 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 completed and as of 31 December 2023, the fair value of investment property approximates to AED 109,950 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.

38 Fair value measurement (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023				
Financial assets at fair value through other comprehensive income (Note 9)	54,153	-	-	54,153
	54,153	-	-	54,153
31 December 2022				
Financial assets at fair value through other comprehensive income (Note 9)	52,911	-	-	52,911
	52,911	-	-	52,911

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

	2023 AED'000	2022 AED'000
Interim dividend for the year ended 31 December 2023 AED 0.0425 per share (2022: AED 2.9 per share)	425,000	2,900,000
Final dividend for the year ended 31 December 2022 AED 0.0425 per share (2022: Final dividend for the year ended 31 December 2021, AED 0.5 per share)	425,000	500,000
Total dividends	850,000	3,400,000

During the year 2023, a final dividend of AED 425,000 thousand (AED 0.0425 per share) for the financial year ended 31 December 2022 was approved by the Shareholders in the Annual General Meeting held in March 2023 and subsequently paid in the month of April 2023 (2022: Final dividend of AED 500,000 thousand (AED 0.5 per share)). For the year 2023, an interim dividend of AED 425,000 thousand (AED 0.0425 per share) was approved by the Board of Directors in the month of September 2023 and subsequently fully paid in the month of October 2023 (2022: Interim dividend of AED 2,900,000 thousand (AED 2.9 per share)).