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

Interim condensed consolidated financial statements
For the three-month period ended 31 March 2024

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Directors' report
for the three-month period ended 31 March 2024

Directors' report

The Board of Directors present their report and interim condensed consolidated financial statements of Emirates Central Cooling Systems Corporation P.J.S.C (the "Company") and its subsidiaries (together referred to as the "Group") for the three-month period ended 31 March 2024.

Principal activities

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

Financial performance

The Group achieved a turnover of AED 537,720 thousand, which represented a growth of 8.8% compared to the same period last year and achieved an operating profit of AED 229,414 thousand, which represented a growth of 14.2% compared to the same period last year. The net profit attributable to the owners of the Parent amounted to AED 163,361 thousand for the three-month period ended 31 March 2024.

Share capital

The paid-up capital of the Company is AED 1,000,000 thousand consisting of 10,000,000 thousand shares of AED 0.10 each. There has been no change in the capital structure of the Company during the three-month period ended 31 March 2024.

Transfer to statutory reserve

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

Dividend

No interim dividend proposed for the three-month period ended 31 March 2024.

Research and Development

The Group is setting the Standard for the Industry by signing a Memorandum of Understanding (MoU) with the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), in the conference held recently in Chicago, U.S., for the development of a unified and globally approved District Cooling Standard, which will be adopted by various countries with emerging district cooling infrastructure by 2025 and also to develop the third generation District Cooling Systems.

Outlook

The Global District Cooling Market Size valued at USD 28.36 billion in 2023 is predicted to reach USD 51.88 billion by the year 2031, growing at a CAGR of 7.94% during the forecast period 2024-2031.

In the coming years, due to growing environment consciousness it is expected that governments will tighten the rules to reduce greenhouse gas emissions and rapid environmental changes. This will expedite the growth of district cooling as it utilises less energy than conventional cooling systems.

Outlook (continued)

In its recent economic update, UAE Central Bank (CBUAE) has revised upward UAE's growth forecast to 4.2% for the year 2024 and rising it to 5.2% for the year 2025. CBUAE also forecasted non-oil economic growth at 4.7% in both 2024 and 2025.

Empower will seize the opportunities in UAE and explore other neighbouring countries to provide its energy efficient district cooling services.

Auditors

The interim condensed consolidated statements of the Group were reviewed by PricewaterhouseCoopers Limited Partnership Dubai Branch, who were re-appointed as external auditors of the Group for the year 2024 in the Annual General Assembly meeting held on 27 March 2024.

On behalf of the Board

H.E Saeed Mohammed Ahmad Al Tayer
Chairman

......06th.....May..2024

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Emirates Central Cooling Systems Corporation P.J.S.C ("the Company") and its subsidiaries (together, "the Group") as at 31 March 2024 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers Limited Partnership Dubai Branch
6 May 2024

Murad Alnsour
Registered Auditor Number 1301
Dubai, United Arab Emirates

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

Interim condensed consolidated statement of financial position

	Note	As at 31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	6	7,005,473	6,934,815
Right-of-use assets		3,120	3,994
Investment properties		85,645	85,645
Intangible assets	7	336,943	339,982
Financial assets at amortised cost	8	1,319,790	1,324,786
Financial assets at fair value through other comprehensive income	9	54,881	54,153
Investment in a joint venture		307	307
Deferred tax assets		17,102	17,454
		8,823,261	8,761,136
Current assets			
Inventories		49,300	43,730
Trade and other receivables	11	267,933	319,094
Due from related parties	13	26,788	8,821
Financial assets at amortised cost	8	19,319	19,105
Financial assets at fair value through profit or loss	10	20,141	10,000
Term deposits		21,200	27,500
Cash and cash equivalents	14	1,493,552	538,780
		1,898,233	967,030
Total assets		10,721,494	9,728,166
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		1,000,000	1,000,000
Statutory reserve		500,000	500,000
Other reserves		15,172	14,510
Contributed capital		82,190	82,190
Retained earnings		1,288,239	1,547,518
		2,885,601	3,144,218
Non-controlling interests		166,407	166,783
Total equity		3,052,008	3,311,001
LIABILITIES			
Non-current liabilities			
Bank borrowings	15	5,193,125	4,492,438
Government grant		304,863	305,558
Provision for employees' end of service benefits		56,523	54,666
Retentions payable	16	18,134	18,036
Lease liabilities		564	584
		5,573,209	4,871,282
Current liabilities			
Trade and other payables	16	1,639,110	1,403,263
Current tax liabilities	27	16,008	-
Due to related parties	13	435,326	135,953
Government grant		3,170	3,170
Lease liabilities		2,663	3,497
		2,096,277	1,545,883
Total liabilities		7,669,486	6,417,165
Total equity and liabilities		10,721,494	9,728,166

To the best of our knowledge, the interim condensed consolidated financial statements are prepared, in all material respects, in accordance with IAS 34. The interim condensed consolidated financial statements were approved by the Board of Directors on ...06th May... 2024 and were signed on its behalf by:

....

Chief Executive Officer Chairman

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

Interim condensed consolidated statement of comprehensive income

	Note	Three-month period ended 31 March 2024 AED'000 Unaudited	2023 AED'000 Unaudited
Revenue	17	537,720	494,274
Interest income on financial asset at amortised cost	8	14,706	4,515
Cost of sales	19	(266,670)	(244,398)
Gross profit		285,756	254,391
General and administrative expenses	20	(58,829)	(54,737)
Provision for expected credit loss		462	-
Other income		2,025	1,198
Operating profit		229,414	200,852
Finance income		7,638	17,530
Finance costs		(55,254)	(51,023)
Finance costs – net		(47,616)	(33,493)
Profit for the period before tax		181,798	167,359
Income tax expense	27	(16,294)	-
Net profit for the period after tax		**165,504**	**167,359**
Profit attributable to:			
Equity holders of the Company		163,361	167,261
Non-controlling interests		2,143	98
		165,504	167,359
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (AED)	24	0.0163	0.0167
Profit for the period		165,504	167,359
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	*9*	728	658
Remeasurement of post-employment benefit Obligations		-	112
Income tax relating to these items		(66)	-
Other comprehensive income for the period		662	770
Total comprehensive income for the period		166,166	168,129
Total comprehensive income for the period attributable to:			
Equity holders of the Company		164,023	168,031
Non-controlling interests		2,143	98
		166,166	168,129

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

Interim condensed consolidated statement of changes in equity

	Note	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 2024		1,000,000	500,000	14,510	1,547,518	82,190	3,144,218	166,783	3,311,001
Total comprehensive income for the period									
Profit for the period		-	-	-	163,361	-	163,361	2,143	165,504
Other comprehensive income									
Other comprehensive income for the period		-	-	662	-	-	662	-	662
Total comprehensive income for the period		-	-	662	163,361	-	164,023	2,143	166,166
Transaction with owners in their capacity as owners:									
Acquisition of minority interest		-	-	-	2,360	-	2,360	(2,519)	(159)
Dividends declared	12	-	-	-	(425,000)	-	(425,000)	-	(425,000)
At 31 March 2024 (unaudited)		**1,000,000**	**500,000**	**15,172**	**1,288,239**	**82,190**	**2,885,601**	**166,407**	**3,052,008**
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 period									
Profit for the period		-	-	-	167,261	-	167,261	98	167,359
Other comprehensive income									
Other comprehensive loss for the period		-	-	770	-	-	770	-	770
Total comprehensive income for the period		-	-	770	167,261	-	168,031	98	168,129
Transaction with owners in Their capacity as owners:									
Dividends declared	12	-	-	-	(425,000)	-	(425,000)	-	(425,000)
At 31 March 2023 (unaudited)		**1,000,000**	**500,000**	**6,606**	**1,186,852**	**82,190**	**2,775,648**	**2,223**	**2,777,871**

Interim condensed consolidated statement of cash flows

	Note	Three-month period ended 31 March 2024 AED'000 Unaudited	2023 AED'000 Unaudited
Cash flows from operating activities			
Profit before tax		181,798	167,359
Adjustments for:			
Depreciation of property, plant and equipment	6	81,788	85,359
Depreciation of right-of-use asset		874	796
Amortisation of intangible assets	7	3,039	3,039
Settlement of financial assets	8	19,488	5,616
Provision for employees' end of service benefits		2,112	2,012
Interest income earned on financial assets at amortised cost	8	(14,706)	(4,515)
Impairment of trade receivables		(462)	-
Loss on disposal of property, plant and equipment		33	-
Finance income		(7,638)	(17,530)
Finance costs		55,254	51,023
Government grant income		(695)	(695)
Operating cash flows before changes in working capital and payment of employees' end of service benefits		320,885	292,464
Changes in working capital:			
Inventories		(5,570)	2,208
Trade and other receivables		46,372	30,074
Due from related parties		(17,967)	28,398
Trade and other payables		105,413	50,519
Due to related parties net of dividends declared		(40,627)	(98,476)
Cash generated from operations		408,506	305,187
Payment of employees' end of service benefits		(255)	(598)
Net cash generated from operating activities		408,251	304,589
Cash flows from investing activities			
Acquisition of minority interest in a subsidiary		(159)	-
Additions to property, plant and equipment		(87,858)	(103,011)
Investment in financial assets at fair value through profit or loss		(10,141)	-
Additions to investment properties		-	(5,315)
Short-term deposits (more than 3 months) invested/(withdrawn)		6,300	(3,600)
Finance income received		7,638	17,530
Net cash used in investing activities		(84,220)	(94,396)
Cash flows from financing activities			
Proceeds from bank borrowings	15	700,000	-
Lease payments		(909)	(826)
Interest paid		(68,350)	(50,263)
Net cash generated from/(used in) financing activities		630,741	(51,089)
Net increase in cash and cash equivalents		954,772	159,104
Cash and cash equivalents, beginning of the period		538,780	1,473,908
Cash and cash equivalents, end of the period		1,493,552	1,633,012

1 Establishment and operations

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

In 2009, DEWA increased its shareholding in the Company to 70% and reduced TECOM's interest to 30%, as 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.

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

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

Subsidiary	Principal activity	Beneficial and legal holding 2024	2023
Empower Logstor LLC ("ELIPS")*	Manufacturing of pre-insulated pipes, mainly for district cooling.	100.0%	97.0%
Palm District Cooling LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.9%	99.9%
Palm Utilities LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	99.5%	99.5%
Empower FM LLC	Installations of equipment, installations and supplies for air conditioning, ventilation and purification systems, as well as their repairs and maintenance.	100.0%	100.0%
Empower Engineering & Consultancy LLC	Consultancy services for Project Development	100.0%	100.0%
Empower SNOW LLC	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	100.0%	100.0%
Dxb CoolCo FZCO	Establishing and operating district cooling projects and provide air-conditioning, ventilator and refrigeration services.	85.0%	85.0%

*In January 2024, EMPOWER acquired 3% minority shareholding, in ELIPS, from Logstor Holding.

1 Establishment and operations (continued)

These interim condensed consolidated financial statements for the three-month period ended 31 March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 06th May. 2024

These interim condensed consolidated financial statements have been reviewed, not audited. The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2023. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and other explanatory notes, for the three-month period ended 31 March 2024 is based on the unaudited interim condensed consolidated financial statements.

2 Basis of preparation

These interim condensed consolidated financial statements for the three-month ended 31 March 2024 has been prepared in accordance with International Accounting Standard 34 'Interim financial reporting', ("IAS 34").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

Although as of 31 March 2024, the Group's current liabilities exceeded its current assets by AED 198,044 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 March 2024, includes the dividend payable approved in March (Note 12) amounting to AED 425,000 thousand which was subsequently paid in April 2024. It also includes deferred revenue amounting to AED 383,084 thousand (Note 16) which have no cash impact and will be recognised as revenue, and refundable customer security deposits amounting to AED 465,265 thousand (Note 16) 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 300,000 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.

3 Material accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied by the Group in its recent annual audited consolidated financial statements for the year ended 31 December 2023 except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

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

3 Material accounting policies (continued)

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

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

	Effective date
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates relating to lack of exchangeability	1 January 2025
IFRS 18 Presentation and Disclosures in Financial Statements	1 January 2027
IFRS 10 and IAS 28 – Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Effective date deferred indefinitely
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	Effective date deferred indefinitely

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

4 Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the preparation of the consolidated financial statements of the Group as at and for the year ended 31 December 2023.

5 Financial risk management

5.1 Financial risk factors

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

These interim condensed consolidated financial statements does not include all financial risk management information and disclosures required in the annual financial statements. As such, they should be read in conjunction with the Group's consolidated financial statements as at 31 December 2023. There have been no changes in any financial risk management policies since year-end.

5.2 Liquidity risk

During the three-month period ended 31 March 2024, the Group drew down AED 700 million of bank loan which is disclosed in Note 15. There has been no other material change in the contractual undiscounted cash outflows for financial liabilities during this period.

5.3 Fair value estimation

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

6 Property, plant and equipment

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost									
At 1 January 2024	432,364	9,162,263	70,709	20,692	12,455	44,940	11,992	249,832	10,005,247
Additions	-	-	-	292	-	252	441	151,494	152,479
Transfers	-	36,000	-	-	-	-	-	(36,000)	-
Disposals	-	-	-	-	-	-	(49)	-	(49)
At 31 March 2024	432,364	9,198,263	70,709	20,984	12,455	45,192	12,384	365,326	10,157,677
Accumulated depreciation									
At 1 January 2024	-	2,943,456	34,545	18,222	11,779	38,541	6,795	17,094	3,070,432
Charge for the year	-	80,033	689	296	77	318	375	-	81,788
Disposals	-	-	-	-	-	-	(16)	-	(16)
At 31 March 2024	-	3,023,489	35,234	18,518	11,856	38,859	7,154	17,094	3,152,204
Net book amount at 31 March 2024	432,364	6,174,774	35,475	2,466	599	6,333	5,230	348,232	7,005,473

6 Property, plant and equipment (continued)

	Land AED'000	Plant, equipment and machinery AED'000	Building AED'000	Furniture and fixtures AED'000	Leasehold improvements AED'000	Computer equipment AED'000	Vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost									
At 1 January 2023	432,364	8,780,427	70,709	18,350	11,890	42,421	8,566	393,368	9,758,095
Additions	-	-	-	514	-	268	193	98,787	99,762
Reversal of accrual	-	(7,498)	-	-	-	-	-	-	(7,498)
Transfers	-	30	-	222	-	1,144	-	(1,396)	-
At 31 March 2023 (unaudited)	432,364	8,772,959	70,709	19,086	11,890	43,833	8,759	490,759	9,850,359
Accumulated depreciation									
At 1 January 2023	-	2,645,559	31,760	16,838	10,879	36,187	5,839	17,094	2,764,156
Charge for the year	-	83,564	689	281	92	551	182	-	85,359
At 31 March 2023 (unaudited)	-	2,729,123	32,449	17,119	10,971	36,738	6,021	17,094	2,849,515
Net book amount at 31 March 2023 (unaudited)	432,364	6,043,836	38,260	1,967	919	7,095	2,738	473,665	7,000,844

* During 2022, the Group returned 11 plots of land to a related party, which were granted in previous years for the purpose of constructing the district cooling plants. Accordingly, the carrying amount of AED 59,382 thousand was reversed from property, plant and equipment and the corresponding deferred government grant. District cooling assets with a net book value of AED 306,911 thousand are developed on some of these plots of land. Management signed a Master Land Agreement and Exclusivity and Framework Agreement with the related party granting the Group unlimited access over 8 plots. The Master Land Agreement refers to a separate lease agreement which is yet to be executed between the Group and the related party over these plots on fair and reasonable terms, for a nominal value. 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.

6 Property, plant and equipment (continued)

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	**2023 AED'000 Unaudited**
Depreciation expense has been charged to:		
Cost of sales (Note 19)	80,033	83,564
General and administrative expenses (Note 20)	1,755	1,795
	81,788	85,359

7 Intangible assets

	31 March 2024 AED'000 Unaudited	**31 December 2023 AED'000 Audited**
At 1 January	339,982	352,139
Amortisation during the period/year	(3,039)	(12,157)
At 31 March / December	336,943	339,982

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

	31 March 2024 AED'000 Unaudited	**31 December 2023 AED'000 Audited**
At 1 January	1,343,891	305,157
Additions during the period/year	-	1,050,000
Interest earned during the period/year	14,706	38,711
Settlement during the period/year	(19,488)	(49,977)
At 31 March / December	1,339,109	1,343,891
Less: current portion	(19,319)	(19,105)
Non-current portion	1,319,790	1,324,786

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

a) AED 299,877 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 1,039,232 thousand from Dubai Aviation City Corporation, an entity under common control, in relation to acquisition of DXB CoolCo FZCO during the year 2023.

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

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
At the beginning of the period/year	54,153	52,911
Gain during the period/year	728	1,242
At the end of the period/year	54,881	54,153

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

	31 March 2024 AED'000 Unaudited	31 March 2023 AED'000 Unaudited
Gain recognised in other comprehensive income	728	658
Interest income from equity investments held at FVTOCI recognised in profit or loss	826	826

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

10 Financial assets at fair value through profit or loss

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Investment in National Bonds	20,141	10,000

During the period ended 31 March 2024, the Group reinvested the matured amount AED 10,000 thousand with interest of AED 141 thousand and also made an additional investment of AED 10,000 thousand into the National Bonds Corporation.

11 Trade and other receivables

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Trade receivables	180,658	226,508
Accrued revenues	43,347	49,488
	224,005	275,996
Less: Provision for expected credit losses	(74,235)	(74,697)
	149,770	201,299
Other financial assets at amortised cost		
Other receivables	16,733	14,333
Other assets		
Advance to contractors / suppliers	84,664	89,915
Prepayments	16,766	13,547
	101,430	103,462
	267,933	319,094

Other receivables includes a deposit of AED 4,490 thousand (2023: AED 4,490 thousand) receivable from DEWA (Note 13).

12 Dividends

A final dividend of AED 425,000 thousand (AED 0.0425 per share) in respect of the year ended 31 December 2023 was declared and approved in Annual General Assembly Meeting held on 27 March 2024. The dividend payable amounting to AED 425,000 thousand comprises AED 340,000 thousand in due to related parties (Note 13) and AED 85,000 thousand in trade and other payables (Note 16) and was subsequently paid on 23 April 2024 (2023: a final dividend of AED 425,000 thousand (AED 0.0425 per share), in respect of the year ended 31 December 2022, was declared and approved in Annual General Assembly Meeting held on 29 March 2023 and was subsequently paid on 25 April 2023).

13 Transactions and balances with related parties

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

(a) Related party transactions

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

	Three-month period ended 31 March	
	2024	**2023**
	AED'000	**AED'000**
	Unaudited	**Unaudited**
Services rendered to entities under common control of shareholders		
Dubai Properties Group LLC	27,690	28,186
Tecom Investments FZ LLC	11,393	12,064
Jumeirah Group LLC	8,679	8,527
Meraas Holding LLC	6,124	6,857
Global Village Dubai LLC	129	134
	54,015	55,768
Dividend to shareholders		
Dubai Electricity and Water Authority PJSC (DEWA)	238,000	238,000
Emirates Power Investment LLC	102,000	102,000
	340,000	340,000
Services received from shareholder		
Dubai Electricity and Water Authority PJSC (DEWA)	154,846	120,153
Services rendered to entities under common control of Ultimate parent		
Dubai Airports Corporation	44,177	-
Services received from entities under common control of Ultimate Parent		
Finance cost from Emirates NBD PJSC	66,847	57,678
Key management remuneration		
Board of directors' remuneration (Note 20)	1,450	1,875
Compensation of key management personnel		
Short term benefits	1,216	1,284
End of service benefits	130	130
	1,346	1,414

13 Transactions and balances with related parties (continued)

(b) Balances with related parties

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Due from related parties		
Shareholders		
Emirates Power Investment LLC	-	2
Dubai Electricity and Water Authority PJSC	-	4
	-	6
Entities under common control of shareholders		
Tecom Investments FZ LLC	3,727	3,762
Jumeirah Group LLC	1,886	2,311
Meraas Holding LLC	447	602
Others	32	65
	6,092	6,740
Entity under common control of Ultimate Parent		
Dubai Airports Corporation	20,696	2,075
	26,788	8,821
Due to related parties		
Shareholders		
Dubai Electricity and Water Authority PJSC (DEWA)	316,436	113,854
Emirates Power Investment LLC	102,000	-
	418,436	113,854
Entities under common control of shareholders		
Dubai Properties Group LLC	16,454	17,955
Dubai Holding LLC	-	3,708
	16,454	21,663
Others	436	436
	435,326	135,953
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	5,308,340	4,498,463
Dubai Islamic Bank	705,764	1,255,245
Emirates Islamic Bank	225	40,220
Dubai Aviation City Corporation	1,039,232	-
Nakheel PJSC	299,877	301,003

14 Cash and cash equivalents

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Cash on hand	1,091	-
Cash at bank	254,161	168,980
Short term bank deposits – less than 3 months	1,238,300	369,800
	1,493,552	538,780

Bank balances are held with branches of local and international banks. Short-term bank deposits bear an effective interest rate of 3.75% to 5.45% per annum (2023: 5.5% to 5.75%).

Term deposits are presented as cash equivalents only if they have a maturity of three-month 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.

The Group earned finance income AED 7,638 thousand during the period (2023: AED 17,530 thousand). The decrease is mainly due to reduction in average deposit places and deposit rates during the period.

15 Bank borrowings

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Term loan	5,200,000	4,500,000
Unamortised loan cost	(6,875)	(7,562)
Non-current balance	5,193,125	4,492,438

During the period ended 31 March 2024, the Group drew down AED 700,000 thousand from its loan facilities. The undrawn term loan facilities is AED 300,000 thousand as at 31 March 2024 (31 December 2023: AED 1,000,000 thousand) at a floating rate linked to EIBOR plus margin.

16 Trade and other payables

	31 March 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Refundable customers' security deposits	465,265	456,361
Deferred revenue	383,084	341,792
Project cost accruals	268,667	240,489
Project payables	92,037	75,796
Retentions payable	88,844	87,731
Dividend payable	85,000	-
Other liabilities*	264,347	219,130
	1,657,244	1,421,299
Less: Non-current portion		
Retentions payable	(18,134)	(18,036)
Current portion	1,639,110	1,403,263

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

16 Trade and other payables (continued)

Movement in deferred revenue is as follows:

	31 March 2024 AED'000 Unaudited	31 March 2023 AED'000 Unaudited
At the beginning of the period	341,792	290,225
Billed during the period	326,348	284,777
Less: Income recognised during the period	(285,056)	(273,679)
At the end of the period	383,084	301,323

17 Revenue

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	2023 AED'000 Unaudited
District cooling services	537,123	487,329
Pre-insulated pipe	597	6,945
	537,720	494,274

18 Operating segments

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

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

The Board of Directors 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.

18 Operating segments (continued)

	Three-month period ended 31 March 2024 (unaudited)				Three-month period ended 31 March 2023 (unaudited)			
	Chilled water	**Pre-insulated pipe**	**Elimination**	**Total**	**Chilled water**	**Pre-insulated pipe**	**Elimination**	**Total**
		AED'000				**AED'000**		
Revenues								
External revenue	537,123	597	-	537,720	487,329	6,945	-	494,274
Inter-segment revenue	-	6,608	(6,608)	-	-	8,840	(8,840)	-
Interest earned on financial asset at amortised cost	14,706	-	-	14,706	4,515	-	-	4,515
Total revenues	**551,829**	**7,205**	**(6,608)**	**552,426**	**491,844**	**15,785**	**(8,840)**	**498,789**
Cost of sales	(266,038)	(4,390)	3,758	(266,670)	(238,526)	(10,348)	4,476	(244,398)
Gross profit	**285,791**	**2,815**	**(2,850)**	**285,756**	**253,318**	**5,437**	**(4,364)**	**254,391**
General and administrative expenses	(57,877)	(952)	-	(58,829)	(52,217)	(2,520)	-	(54,737)
Net impairment losses on financial assets	462	-	-	462				
Other income	955	1,070	-	2,025	1,143	55	-	1,198
Operating profit	**229,331**	**2,933**	**(2,850)**	**229,414**	**202,244**	**2,972**	**(4,364)**	**200,852**
Finance income	7,231	407	-	7,638	17,247	283	-	17,530
Finance costs	(55,254)	-	-	(55,254)	(51,023)	-	-	(51,023)
Income taxes	(16,294)	-	-	(16,294)	-	-	-	-
Net profit for the period	**165,014**	**3,340**	**(2,850)**	**165,504**	**168,468**	**3,255**	**(4,364)**	**167,359**

Inter-segment transaction are eliminated on consolidation

18 Operating segments (continued)

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

	Three-month period ended 31 March 2024 (unaudited)			Three-month period ended 31 March 2023 (unaudited)		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
		AED'000			AED'000	
Depreciation on property, plant and equipment (Note 6)	81,175	613	81,788	84,746	613	85,359
Depreciation on right-of-use asset	874	-	874	796	-	796
Total Depreciation	**82,049**	**613**	**82,662**	**85,542**	**613**	**86,155**

Segment assets and liabilities are as follows:

	Three-month period ended 31 March 2024 (unaudited)			31 December 2023 (audited)		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
		AED'000			AED'000	
Segment assets	10,613,905	107,348	10,721,253	9,626,555	101,304	9,727,859
Investment in joint venture	307	-	307	307	-	307
Total assets	**10,614,212**	**107,348**	**10,721,560**	9,626,862	101,304	9,728,166
Segment liabilities						
Total liabilities	**7,651,090**	**18,396**	**7,669,486**	6,403,832	13,333	6,417,165

18 Operating segments (continued)

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

	Three-month period ended 31 March 2024 (unaudited)			Three-month period ended 31 March 2023 (unaudited)		
	Chilled water	Pre-insulated pipe	Total	Chilled water	Pre-insulated pipe	Total
		AED'000			AED'000	
Property, plant and equipment	152,466	13	**152,479**	99,755	7	**99,762**

Geographic information

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

	Revenue		Non-current assets	
	31 March 2024 (unaudited)	31 March 2023 (unaudited)	31 March 2024 (unaudited)	31 December 2023 (audited)
United Arab Emirates	537,720	494,274	8,823,261	8,761,136

19 Cost of sales

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	**2023 AED'000 Unaudited**
Utilities cost	155,903	123,805
Depreciation on property, plant and equipment (Note 6)	80,033	83,564
Staff costs (Note 21)	10,529	9,753
Amortisation of intangible asset (Note 7)	3,039	3,039
Materials	288	5,180
Depreciation on right-of-use asset	20	45
Others	16,858	19,012
	266,670	244,398

20 General and administrative expenses

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	**2023 AED'000 Unaudited**
Staff costs (Note 21)	44,101	41,426
Depreciation on property, plant and equipment (Note 6)	1,755	1,795
Directors remuneration	1,450	1,875
Communication expenses	1,279	1,275
Business travel	1,276	241
Consultancy	1,245	516
Advertising and marketing expenses	886	425
Depreciation on right-of-use asset	854	751
Rent	64	195
Others	5,919	6,238
	58,829	54,737

21 Staff costs

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	**2023 AED'000 Unaudited**
Salaries	35,008	32,507
Staff benefits	17,510	16,660
End of service benefits	2,112	2,012
	54,630	51,179
Staff costs have been charged to:		
Cost of sales (Note 19)	10,529	9,753
General and administrative expenses (Note 20)	44,101	41,426
	54,630	51,179

22 Guarantees

At 31 March 2024, the Group had outstanding bank guarantees and letters of credits amounting to AED 4,487 thousand (31 December 2023: AED 3,842 thousand), which were issued by the Group's bankers in the normal course of business.

23 Commitments

Capital commitments

As at 31 March 2024, the Group has project commitments of AED 720,973 thousand (31 December 2023: AED 687,341 thousand) for projects-in-progress. These commitments represent the value of contracts issued as of 31 March 2024, net of invoices recorded and accruals made as of that date.

24 Earning per share

	31 March 2024 Unaudited	31 March 2023 Unaudited
Profit attributable to the ordinary equity holders of the Company	163,361,000	167,261,000
Weighted average number of ordinary shares used as a denominator in calculating basic earnings per share	10,000,000,000	10,000,000,000
Basic and diluted earnings per share	0.0163	0.0167

25 Fair value measurement

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

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

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

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

25 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:

31 March 2024	**Level 1 AED'000 Unaudited**	**Level 2 AED'000 Unaudited**	**Level 3 AED'000 Unaudited**	**Total AED'000 Unaudited**
Financial assets at fair value through other comprehensive income	54,881	-	-	54,881
Financial assets at fair value through profit or loss	-	20,141	-	20,141
	54,881	20,141	-	75,022

31 December 2023	Level 1 AED'000 Audited	Level 2 AED'000 Audited	Level 3 AED'000 Audited	Total AED'000 Audited
Financial assets at fair value through other comprehensive income	54,153	-	-	54,153
Financial assets at fair value through profit or loss	-	10,000	-	10,000
	54,153	10,000	-	64,153

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

Specific valuation techniques used to value financial instruments include:

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

26 Seasonality of operations

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

27 Income tax expense

(a) Components of income tax expense

Income tax expenses recorded in profit or loss comprises the following:

	Three-month period ended 31 March	
	2024 AED'000 Unaudited	**2023 AED'000 Unaudited**
Current tax	16,008	-
Deferred tax	286	-
Income tax expense for the period	**16,294**	**-**

Income tax expense is recognised during the three-month period ended 31 March 2024 on a best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense may have to be adjusted if the estimate of the annual income tax rate changes. As of 31 March 2024, the Group has current tax liabilities of AED 16,008 thousand (2023: Nil).

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Group's income is 9% (2023: 0%). A reconciliation between the expected and the actual tax charge is provided below:

	31 March 2024 AED'000 Unaudited	**31 March 2023 AED'000 Unaudited**
Profit before tax	181,798	-
Profit before tax at statutory rate of 9%	16,362	-
Income which is exempt from taxation	(354)	-
Income tax expense	16,008	-

The effective tax rate as of 31 March 2024 is 8.8% (2023: Nil).

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS Accounting Standards and statutory taxation regulations in the United Arab Emirates give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences was not material to the interim condensed consolidated financial statements.

Further, AED 66 thousand of deferred tax relates to changes in fair value of financial assets at fair value through other comprehensive income which has been recognised in other comprehensive income in interim condensed consolidated statement of comprehensive income.